

PREM 19/1847

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CONFIDENTIAL FILING

Higher Organisation for Defence

DEFENCE

FEBRUARY 1984

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PREM 19/1847

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(84) 25 th Conclusions, item 2	05/07/1984
CC(84) 25 th Conclusions, Minute 2 – Limited Circulation Annex	05/07/1984

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed *[Signature]*

Date 25/09/2014

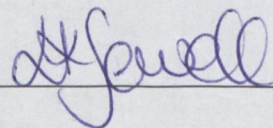
PREM Records Team

Published Papers

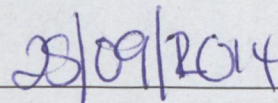
The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

~~Cmnd 584~~; House of Commons
Third Report from the Defence Committee, Session 1983-84
Ministry of Defence Reorganisation
Report together with the Proceedings of the Committee and the
Minutes of Evidence
Order by The House of Commons to be printed 15 October 1984
Printed by HMSO ISBN 0 10 258484 2

Signed



Date



PREM Records Team

cc/c



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

EAD

John Howe Esq
Private Secretary to
The Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
SW1A 2HB

2 October 1986

Dear John

MOD HQ RE-ORGANISATION

The Chancellor has seen your Secretary of State's recent minute to the Prime Minister reporting the completion of your review of the MOD's new Headquarters organisation after its first year in operation.

The Chancellor notes that the new structure is proving successful, but appreciates that some adjustments in the light of experience may prove necessary. He looks forward to hearing your Secretary of State's conclusions regarding the posts of Deputy to the Chiefs of Staff, and would be grateful if his officials could be kept informed of progress on this and other detailed recommendations arising from the review.

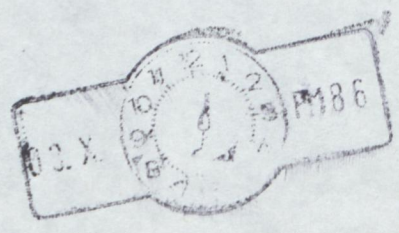
I am sending a copy of this letter to David Norgrove at Number 10.

Yours ever,

Tony Kuczys

A W KUCZYS

DEFENCE Higher Organisation Feb 84





Prime Minister

You will want to be aware of this before you see the Chiefs of Staff next Tuesday.

You may also like to

MOD HQ RE-ORGANISATION

see if Robin Hobbs has any views.

CDD
19/9.

MO 2/8V

PRIME MINISTER

You will recall that when my predecessor was carrying through his re-organisation of the Ministry of Defence, the Chiefs of Staff expressed to you their concerns about the impact the changes would have on their ability to manage the Services effectively. You agreed, therefore, in July 1984 that there should be a review of the new organisation after it had been in operation for one year. This review has now been completed.

2. The general view is that the re-organisation has been largely successful and that the reservations expressed by the Chiefs Staff no longer cause the concern they did. The position of CDS has been enhanced and the role of the Defence Staff widened, and this in turn assists in finding a corporate solution to the problems of the day, whether they are operational or concerned with financial and equipment priorities. The newly created Office of Management and Budget, despite some doubts about its separation from the Defence Staff, has established a close working relationship with them which has proved constructive and helpful in arriving at a balanced distribution of increasingly scarce resources.



3. It would be wrong to infer from this, however, that all aspects of the new organisation have worked smoothly. There have been and still are, problems of detail in particular areas, although these are likely to be solved by relatively minor changes. The success to date has been due in no small part to the early identification of potential difficulties and the hard work of the staffs to resolve them. Further effort will be required to ensure that relationships continue to develop on the right lines.

4. The review made a number of detailed recommendations which are currently being considered within my Department, and I need not trouble you with these. There is, however, one proposal which I should like to draw to your attention, since it is of direct relevance to the concerns expressed to you by the Chiefs of Staff. The review notes that, following the abolition of the Vice Chiefs of Staff, the Chiefs of Staff are having some difficulty in exercising their responsibilities for the management of their Services through 2 star Assistant Chiefs of Staff, and recommends that the Chiefs of Staff should identify the scope for reordering responsibilities at the level of the Service Boards, without increasing numbers or ranks of posts, in order to provide an officer to act as a Deputy to the Chief of Staff. I have agreed that work should be undertaken to this end but I shall not take a view until I have been able to evaluate the impact on the organisation and on the work of the single



Services of anything that may emerge and am absolutely sure that such a change is justified. I will keep you informed of any developments.

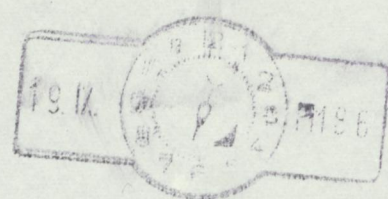
5. I told the House of Commons Defence Committee in May that I would be happy to report to them the outcome of the review when I had received the report and I am therefore proposing to let the Committee have the report after the summer recess.

6. I am sending a copy of this minute to the Chancellor of the Exchequer.

Ministry of Defence
18th September 1986

A.Y.

DEFENCE : Higher Organisation Feb 84.



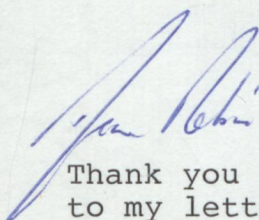
COMPTROLLER
GENERAL
LONDON

Telegrams: Marspena London
Telex No.: 2677441
Telephone: 01-935 4422

Michael House,
Baker Street,
London, W1A 1DN.

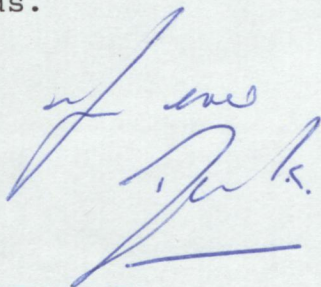
from The Lord Rayner

10th October 1984



Thank you so much for your swift acknowledgment to my letter of 8th October to the Prime Minister.

Needless to say, I am quite content to leave it in your good hands.



Mr F E R Butler
Principal Private Secretary
10 Downing Street
LONDON SW1

1 1 OCT 1984





FLK

rw

10 DOWNING STREET

From the Principal Private Secretary

9 October, 1984

Thank you for your letter of 8 October about the leadership of the Procurement Executive. The Prime Minister is in Brighton for the Conservative Party Conference at present, but I will show your letter to her at the weekend, and I know that she will be grateful for your views. She has already discussed this matter with the Chancellor and Mr. Heseltine and shares your opinion about the importance of the leadership of the Procurement Executive. But, as I think you will recognise, the solution to this problem presents obstacles which are difficult to overcome.

RB

The Lord Rayner

Telegrams: Marspenca London
Telex No.: 2677441
Telephone: 01-935 4422

PERSONAL

Prime Minister

I gather that Mr. Heseltine has not found a way through this problem which you discussed with him and the Chancellor. If you agree, I will ask for a progress report.

Michael House, FERB
Baker Street, 8.10
London, W1A 1DN.

from The Lord Rayner

Yes please not

8th October 1984

Prime Minister,

I do apologise for troubling you with a personal comment on an aspect of Whitehall.

I have in the recent past had discussions with Mr P K Levene who was asked by Michael Heseltine to propose some changes in the Ministry of Defence Procurement Organisation. The essential feature of the report, with which I entirely agree, is that it is imperative that the right person is appointed to head the Procurement Organisation and such a man is not available from within, particularly the present Second Permanent Secretary, MOD.

This latter point does not appear to be in dispute, but if I am correctly informed, the Treasury are reluctant to appoint the equivalent of a further Permanent Secretary in MOD to head up the Procurement Organisation.

I wish only to express strongly that unless the leadership is appropriate, no reorganisation will have any long term effect on the efficiency of a major expenditure Department of Government whose activities have a substantial impact on important parts of the industrial base of the Nation.

My best wishes for a successful conference.

Michael House

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 20/22

19th July 1984

Dear Colleagues

2/17

It occurred to me that colleagues may receive letters and enquiries from their constituents, particularly those who have served in Her Majesty's Forces, about the White Paper published this week outlining the Government's plans for re-organising the Ministry of Defence.

I enclose a series of short paragraphs that outline my views on the basic issues that have so far emerged in Parliament and the media. I hope they may be of help.

Yours sincerely

Michael Heseltine

BACKGROUND AND AIM

Our experience in modern war and our NATO commitments show increasingly the need for the Services to plan to fight together. A full year of operation of the "MINIS" system has shown that there is scope for improving the MOD's efficiency and effectiveness within a common defence framework. The main aims of the review have been:

- to provide an organisation capable of producing the best possible answers to our defence needs;
- to get the best value for money from our resources;
- to cut down unnecessary overheads and bureaucracy.

At the same time, we have made it clear that we are determined to uphold the leadership, loyalties and traditions essential to the morale of the individual Services and their fighting capability.

MAIN FEATURES

The main features of the new organisation are:

- a. A strengthened central Defence Staff, responsible for the formulation of policy, military priorities and plans, major equipment requirements, central personnel matters and the direction of all operations;
- b. An Office of Management and Budget responsible for the allocation of financial resources and scrutiny of expenditure proposals;
- c. The continuing responsibility of the single Service Chiefs of Staff for the management, morale and effectiveness of their own Services.

THE CHIEFS OF STAFF

The vital role played by the Chiefs of Staff is in no way diminished. They remain the professional heads of their Services, and will be fully responsible for the morale and efficiency of their Service. They remain full members of the Defence Council and, of course, of their Service Boards. They also retain their important right of direct access to the Secretary of State and the Prime Minister. They will be able to draw fully on the advice and expertise of the new Defence Staff, and will also have adequate staffs of their own to enable them to direct the work of their Services.

The CDS and the Chiefs of Staff will be giving their full support to the implementation of the new organisation.

ARMS CONTROL

It remains the responsibility of the FCO to lead in this area. But a new Defence Arms Control Unit is to be established, to bring together the work of the MOD's military and civilian experts on this important subject. To give it the necessary degree of independence, it will be separate from the new Defence Staff, reporting to the Secretary of State through the Permanent Secretary. But we should not expect miracles. Arms Control is by its very nature a slow and painstaking business. Prospects will always depend a great deal on progress in international negotiations.

RESERVE FORCES

Reserve Forces make a vital and cost effective contribution to our defence effort which is highly valued by the Government. A 2-star (Major General) appointment will remain the focal point for TA matters and will in future report direct to the Chief of the General Staff.

MORALE OF THE SERVICES

There has been much debate about whether the reorganisation will affect the morale of the single Services. We have said several times that our base line is the preservation of the separate identities, traditions and loyalties of the three Services which are fundamental to their proven professionalism. Our intention is to strengthen the fighting effectiveness of the Services as much as possible and we recognise the vital importance which morale has to play in this.

VALUE FOR MONEY/SAVINGS

This Government has substantially increased the resources allocated to defence. But we must get the best possible value for money out of these. The new organisation is designed to improve the central analysis and resource allocation machinery to this end.

There will be an immediate saving in senior posts under the new organisation and further savings at lower levels should follow when the more detailed arrangements have been worked out and the new structure has settled down. Opportunities will be taken to delegate as much work as possible outside the Ministry's Headquarters.

Work is also in hand to improve procedures and organisational arrangements to ensure maximum value for money in defence procurement.

Organ
for Defense

MA

E.R.
●
PRIME MINISTER

2

Mr Heseltine's Statement on Defence

Mr Heseltine's statement on defence organisation went very quietly today. The major Opposition attack simply questioned the question whether the case had been made out for a change. There was an attack on the proposals only from Sir Julian Amery; other Conservative speakers were broadly supportive. The lack of serious opposition to (or even interest in) the statement is indicated by the fact that ^{MPs} ~~they~~ seem to be most concerned about the fate of various music schools.

DA.

MB

18 July 1984

STATEMENT BY THE DEFENCE SECRETARY ON DEFENCE ORGANISATION

18TH JULY

With permission Mr Speaker, I shall make a statement about the central organisation for defence.

In my Statement on 12th March, I explained that I wished to see stronger central control over defence policy, operations and resource allocation questions, whilst decentralising day to day management. I also wished to improve efficiency by eliminating unnecessary overlap between staffs in the Ministry and between the Ministry and Commands. A consultative document was issued on these lines, which has generated substantial, helpful discussion.

In the light of this and following detailed work by those concerned within the Ministry of Defence, the Government has reached conclusions on future defence organisation which are set out in the White Paper (Cmnd 9315) published today.

To provide a defence-wide perspective on strategy, Service programmes and operational requirements, and for the central control of the conduct of military operations, a unified Defence Staff is to be created incorporating relevant parts of the present Naval, General and Air Staffs, and bringing together military personnel and those in civilian secretariats.

The Defence Staff will be headed by a Vice Chief of the Defence Staff and will report jointly to the Chief of the Defence Staff and the Permanent Secretary.

These changes will further consolidate the position of the Chief of the Defence Staff as the principal military adviser to the Government.

The Government also attaches critical importance to the role of the Service Chiefs of Staff in the maintenance of the fighting effectiveness and the morale of their Services, on which our defence ultimately depends. To exercise these crucial responsibilities, the Service Chiefs of Staff will have full access to the Defence Staff, as well as retaining substantial staffs under their direct control.

The Service Chiefs of Staff will continue fully to contribute to policy-making through their membership of the Defence Council, the Service Boards and the Chiefs of Staff Committee, and will retain their right of direct access to the Prime Minister.

As part of the new arrangements under the Chief of the General Staff, a Major General level post has been provided whose primary responsibility will be for the Territorial Army, Reserves and Cadets, reflecting the importance which the Government attaches to these matters.

Mr Speaker, the Ministry of Defence is responsible for the work of more than half a million Service and civilian personnel and for a budget this year of around £17Bn.

We need to satisfy the public - who ultimately meet this bill - that we are pursuing in every possible way the objective of value for money.

To strengthen the central control and allocation of resources, and the scrutiny of spending proposals, we intend to establish, under the Permanent Secretary, an Office of Management and Budget.

Financial accountability for the management of resources will be improved by the introduction of Executive Responsibility Budgets. And in the procurement field the Government believes that there is a need to improve value for money in purchasing through greater competition and through further enhancing the professional expertise of the staff involved.

Finally, Ministers need to be able to draw on independent scientific advice on long term options and on the scrutiny of major equipment proposals and the staffs concerned are to be brought more closely under the direction of the Chief Scientific Adviser.

We also intend to strengthen our capability for considering arms control issues by establishing a joint military/civilian unit separate from the Defence Staffs and reporting directly to the Permanent Secretary.

Mr Speaker, this White Paper carries forward the approach which lay behind the creation of a unified Ministry of Defence in 1964.

There was controversy then about that re-organisation, and there is controversy still over the proper balance between the addressing of problems in defence-wide terms and on a single-Service basis.

The Government's plans represent a significant further evolution in a process that has been underway for more than 20 years and I commend them to the House.



10 DOWNING STREET

Fee KB

From the Principal Private Secretary

16 July 1984

The Prime Minister has asked me to thank you for your letter of 9 July and to say how sorry she was that the meeting with the Chiefs of Staff had to be arranged so quickly, for reasons you will understand. The Prime Minister was very sorry that you could not be present, but she greatly appreciated your writing to her in the terms in which you did.

You will by now have received her letter to you about the continued access of the Chiefs of Staff to the Prime Minister.

FSB

General Sir John Stanier, G.C.B., M.B.E., A.D.C.Gen.

SSM



10 DOWNING STREET

From the Principal Private Secretary

12 July 1984

The Central Organisation for Defence

I am writing to confirm my telephone message that the Prime Minister read, without comment, the draft White Paper which your Secretary of State circulated to Cabinet under his minute of 6 July.

I am copying this letter to Sir Robert Armstrong only.

F. E. R. BUTLER

Richard Mottram, Esq.,
Ministry of Defence

N/R

810

GENERAL SIR JOHN STANIER GCB MBE ADC Gen

Prime Minister ²
A nice letter.



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

FERB
9.7.

Telephone 01-218...7114... (Direct Dialling)

01-218 9000 (Switchboard)

Very
-
mt

52-1-1

The Right Honourable Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

9th July 1984

Dear Prime Minister,

You will appreciate how very upset I was to have been out of the country at the time when you were kind enough to see the Chiefs of Staff last week. Although I had an aircraft standing by, I could not have returned in time for the meeting.

I should like you to know how much I appreciate the opportunity that we were given to offer you our views and I know that my Vice Chief represented my views exactly.

I was most grateful for the assurances which you gave at the meeting as to our position in the future as advisers to the Government on matters of Defence Policy and for your proposal to meet the Chiefs of Staff from time to time to discuss such matters.

You may be sure that all of us in the Army will now give our fullest support to the plans proposed by our Secretary of State.

Yours sincerely

John Stanier

DEFENCE RE-ORGANISATION

The re-organisation retains the separate identities of the three Services, and the legal position of the Defence Council and Services Boards.

It carries through the purpose of the Mountbatten re-organisation.

The main features are:-

- it consolidates and enhances the dominant position of the CDS;
- he is supported by a defence staff covering policy priorities, control of operations and equipment requirements;
- the Service Chiefs of Staff participate in policy-making through the Chiefs of Staff Committee and the Defence Council;
- budgetary control is strengthened by the creation of an office of management and budget under the Permanent Secretary.

/The Chiefs

The Chiefs of Staff were worried that the position of the individual Chiefs would be weakened so that over time they would no longer exercise effective responsibility for the morale and efficiency of their Services or to be able to give worthwhile advice.

The Government thinks these fears misconceived because:

- by giving them a share in overall responsibility, their influence is enhanced;
- the new arrangements had served well in the Falklands campaign;
- the Service staffs will continue to have direct access to the Prime Minister.

Following the meeting with you, the separate Chiefs agreed that they would do their best to make the new arrangements work. You agreed to review the arrangements when they had had time to settle down and in any way to have an annual meeting with the Chiefs.



10 DOWNING STREET

THE PRIME MINISTER

11 July 1984

Dear Air Marshal

When you and your colleagues came to see me on Wednesday to discuss the proposed reorganisation of the Ministry of Defence, I gave you my assurance that there is not, and never has been, any question of changing the right of the Chiefs of Staff, individually and collectively, to have direct access to the Prime Minister.

The purpose of this letter is to confirm formally what I said then.

I also said that I saw advantage in having a meeting once a year with the Chiefs of Staff. I propose to institute such an arrangement, beginning in 1985.

Yours sincerely
Margaret Thatcher

Air Chief Marshal Sir Keith Williamson, GCB, AFC, ADC

de



cc MOD

10 DOWNING STREET

THE PRIME MINISTER

11 July 1984

Dear General,

When your colleagues came to see me on Wednesday to discuss the proposed reorganisation of the Ministry of Defence, I gave an assurance that there is not, and never has been, any question of changing the right of the Chiefs of Staff, individually and collectively, to have direct access to the Prime Minister.

The purpose of this letter is to confirm formally what I said then.

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Yours sincerely
Margaret Thatcher

General Sir John Stanier, GCB, MBE, ADC

da



10 DOWNING STREET

THE PRIME MINISTER

11 July 1984

cc MOD

Dear Field Marshal

When you and your colleagues came to see me on Wednesday to discuss the proposed reorganisation of the Ministry of Defence, I gave you my assurance that there is not, and never has been, any question of changing the right of the Chiefs of Staff, individually and collectively, to have direct access to the Prime Minister.

The purpose of this letter is to confirm formally what I said then.

I also said that I saw advantage in having a meeting once a year with the Chiefs of Staff. I propose to institute such an arrangement, beginning in 1985.

Yours sincerely
Margaret Thatcher

Field Marshal Sir Edwin Bramall, GCB, OBE, MC

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file

da



cc MOD

10 DOWNING STREET

THE PRIME MINISTER

11 July 1984

Dear Admiral,

When you and your colleagues came to see me on Wednesday to discuss the proposed reorganisation of the Ministry of Defence, I gave you my assurance that there is not, and never has been, any question of changing the right of the Chiefs of Staff, individually and collectively, to have direct access to the Prime Minister.

The purpose of this letter is to confirm formally what I said then.

I also said that I saw advantage in having a meeting once a year with the Chiefs of Staff. I propose to institute such an arrangement, beginning in 1985.

Yours sincerely
Margaret Thatcher

Admiral Sir John Fieldhouse, GCB, GBE, ADC

da



NBPM

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Michael Heseltine MP
 Secretary of State for Defence
 Ministry of Defence
 Main Building
 Whitehall
 LONDON
 SW1A 2HB
 July 1984

11 July 1984

Dear Secretary of State

THE CENTRAL ORGANISATION FOR DEFENCE *mkr PR*

I welcome the organisational changes outlined in the draft White Paper you circulated on 6 July. The new OMB should improve the control and use of resources and these changes should provide a solid basis for the further clarification of responsibilities and streamlining that you propose.

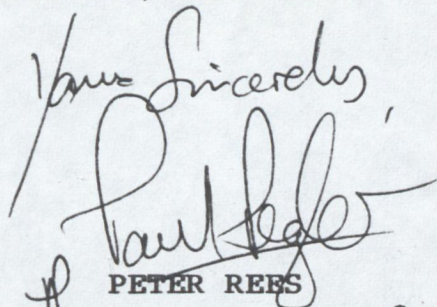
On the text of the White Paper, I would like to propose some amendments, to which I attach importance. They concern the references to procurement policy. If we are to get maximum value for money from defence procurement, and help defence exports, UK defence contractors must become more competitive internationally. Your draft para 2.4 would bring this out more positively if the last two lines were amended to read:

"resources and encourage the development of an internationally more competitive, self-reliant, and free standing defence industrial sector".

Then in 10.1 line 7 after "operational requirements", insert "value for money", and in para 11.1, line 11 after "in particular through" insert "greater international competition and through".

Finally, I hope our officials can pursue their discussions about the way the new arrangements will work out in practice, particularly at 2-star level and below and how this will affect your revised systems of financial control. In particular, I hope they will look at the implications for the role of the Principal Finance Officer of the proposed new division of responsibilities between the DUS(F) and the DUS(R and P).

Copies of this letter go to the Prime Minister, the Chief Whip and to Sir Robert Armstrong.

Yours Sincerely,

PETER REES

(Approved by the Chief Secretary
and signed in his absence)

Defence: Highes Organisation
for Defence
2184



MO 20/22

PRIME MINISTERTHE CENTRAL ORGANISATION FOR DEFENCE

I explained at the Cabinet yesterday the outcome of the work on defence organisation set in hand following the publication of the consultative document "MINIS and the Development of the Organisation for Defence."

/ 2. I attach a draft White Paper setting out the Government's intentions which has been prepared on the basis I outlined. I propose to publish the White Paper on 18th July* and to make an oral statement in the House of Commons to accompany publication. If you or Cabinet colleagues have comments on the draft, I should be grateful to have them by next Tuesday, 10th July.

3. I am sending copies to the other members of the Cabinet, the Chief Whip and Sir Robert Armstrong.

Ministry of Defence
6th July 1984

* rather than 19th July as stated in the Cabinet conclusions.

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CABINET DRAFT - 6 JULY 1984

THE CENTRAL ORGANISATION FOR DEFENCE

I - INTRODUCTION

1.1 It is almost exactly 21 years since the publication of "The Central Organisation for Defence" (Cmnd 2097) announcing the setting up of a unified Ministry of Defence. Since 1963 the organisation has been the subject of several reviews and a number of changes have taken place, notably the incorporation into the Ministry in 1972 of the defence functions of the then Ministry of Aviation Supply. The process of unification and of developing a defence-wide approach has been gradual. The Government believes that it is now timely to assess again the Central Organisation for defence and to make proposals for its further evolution to meet the challenge of today's circumstances.

1.2 In March of this year the Secretary of State for Defence published a consultative document, "MINIS and the Development of the Organisation for Defence" (Defence Open Government Document 84/3) which included outline proposals for the future higher organisation of the Ministry of Defence based on Ministerial scrutiny of this area using the new MINIS management information system. This has stimulated public debate and comment which has

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been of great value in the development of the plans outlined in this White Paper.

1.3 In parallel with this review of the central structure, an examination of the efficiency of the defence procurement process has also been set in train, with the assistance of a number of senior industrialists.

1.4 This White Paper sets out the Government's conclusions at the end of the first stage of this work. A major task of the new organisation will be to address the scope for further improvements in efficiency by clarifying responsibilities and the delegation of management authority outside headquarters.

II - CONTEXT

2.1 The Government continues to give high priority to strengthening the nation's defences. Substantial real increases in resources have been allocated to defence and considerable emphasis has been placed upon maintaining the morale of the Armed Services and their confidence about their future. Each of the three fighting Services continues to have a unique and vital part to play in the nation's defence. The Government is determined to uphold the leadership, loyalties and traditions which are essential to the morale of the individual Services and their

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fighting capability. This country's experience of modern warfare, most recently in the Falklands Campaign, has progressively demonstrated, however, the need for the Services to be equipped and trained to fight together. In our defence roles on the mainland of Europe, in the Eastern Atlantic and Channel and in the direct defence of this country, the individual Services provide complementary capabilities. The need to plan to fight together on an integrated basis, covering both our own forces and those of our Allies, is assuming greater significance. At the heart of the present review, therefore, has been the recognition that future policy for each Service must be shaped increasingly within a common defence framework.

2.2 In addition the Government is concerned to achieve the best possible value in defence terms from the resources devoted to defence. While these are substantial and increasing, developments in the potential threat to the security of the nation and changes in technology pose a major challenge for defence planning. Central machinery is needed to arrive at the best defence wide solutions, and the right management organisation is required to carry them through.

2.3 The full value of increased resources must be translated into increased fighting effectiveness, and not into unnecessary overheads and bureaucracy. Overlap between responsibilities must be avoided and the maximum delegation of management authority from headquarters down clear lines of

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accountability to Commands and outstations must be achieved. It is the intention to develop a system of Executive Responsibility Budgets on an extensive scale across Service and civilian establishments to provide the framework for this increased delegation, in accordance with the principles of the Government's Financial Management Initiative.

2.4 In procurement, there must be increased competition for defence contracts, and a more effective relationship with industry to achieve better value for money for the tax payer. Placing more responsibility upon industry for the execution of projects will enable the Ministry to make better use of its resources and encourage the development of a broader, more self-reliant and free-standing industrial base.

2.5 The Ministry of Defence must at all times be fully capable of fulfilling its operational role. Throughout this central review and MINIS in general, considerable attention has been given to maintaining the capacity to respond quickly and effectively to operational demands. Proposals for change have been framed accordingly.

III - FUNDAMENTALS OF HIGHER ORGANISATION

3.1 Under the control and direction of the Secretary of State for Defence, the Ministry of Defence must ensure effective coordination of all policy and administrative matters affecting

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the fighting Services. Major questions of defence policy will continue to be dealt with by the Defence and Oversea Policy Committee of the Cabinet which is chaired by the Prime Minister and includes senior Ministers who have responsibilities relating to defence. The Chief of the Defence Staff will attend as required, as will the Chiefs of Staff when necessary.

3.2 Under the Secretary of State, the Defence Council will continue to exercise the prerogative powers of command and administrative control passed to it by Letters Patent in 1964, and the statutory powers given under the Defence (Transfer of Functions) Act 1964. It will consist of: the Secretary of State for Defence and his Ministers, the Chief of the Defence Staff, the Permanent Under Secretary of State, the three single Service Chiefs of Staff, the Vice Chief of Defence Staff, the Chief of Defence Procurement, the Chief Scientific Adviser, and the Second Permanent Under Secretary of State. The position of the Service Boards of the Defence Council will remain unchanged.

3.3 The changes in the Ministerial structure of the Department in 1981 to an extent anticipated the reorganisation now planned. Two new Ministers of State were appointed, one responsible for the Armed Forces and the other for Defence Procurement, each supported by a Parliamentary Secretary: this structure was introduced to strengthen political direction and to allow Ministers to carry greater functional responsibilities, thus emphasising the defence as against the single-Service

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responsibilities of the Ministry. The Secretary of State for Defence will continue to be assisted at Ministerial level on this basis. He will continue to be advised by other members of the Defence Council. His principal official advisers will be the Chief of Defence Staff (CDS) and Permanent Under Secretary of State (PUS).

3.4 CDS will, as now, be the Government's principal military adviser. His main responsibilities will include:

- a. tendering military advice on strategy, forward policy, overall priorities in resource allocation, programmes, current commitments and operations. In his advice he will take into account the views of the Chiefs of Staff and ensure that they are properly reflected;
- b. the planning, direction and conduct of all national military operations, including the issue of relevant operational directives;
- c. directing the work of the Defence Staff (see Section IV below).

He will continue to chair the Chiefs of Staff Committee.

3.5 The PUS is permanent Head of the Department and principal Accounting Officer. His responsibilities will include:

- a. the organisation and efficiency of the Ministry

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including the management of all civilian staff, the coordination of its business, and establishment of such machinery as may be necessary for this purpose;

b. the long term financial planning and budgetary control of the defence programme, the associated allocation of resources, and the proper scrutiny of the requirement for all proposals with expenditure implications;

c. advice on the political and parliamentary aspects of the Ministry's work and relations with other Government Departments.

3.6 The Service Chiefs of Staff will continue as the professional heads of their Services and as members of the Chiefs of Staff Committee. They will remain fully responsible for the fighting effectiveness, management, overall efficiency and morale of their Services, They will in future normally report and tender advice through the CDS to the Secretary of State while retaining their right of direct access to him and the Prime Minister. Management of the Services will be exercised through Service Executive Committees, chaired by the Chief of Staff, as sub-committees of the Service Boards (see Section VII below).

3.7 Following its review, the Government has decided to make

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changes in the structure of the Ministry which will enable it more efficiently to carry out its complementary functions of Department of State and Headquarters of the Armed Services. The main elements of the new organisation are set out in the Annex and are described below. These changes will enable savings to be made in both military and civilian senior posts * amounting to four 3-star and five 2-star posts, representing some 29% and 15% respectively of the number of such staffs directly affected. As arrangements for the supporting detailed management at lower levels are completed it is the intention to carry through the savings now identified at senior levels. The opportunity is being taken wherever possible to bring together Service, administrative, scientific and other specialist staffs whilst ensuring that the necessary professional advice is properly reflected in decisions taken at a senior level.

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- * Senior posts in the Ministry are graded in the following way:
- 4-star (General and Service equivalent/ Permanent Secretary, Second Permanent Secretary)
 - 3-star (Lt General and Service equivalent/Deputy Under Secretary)
 - 2-star (Major General and Service equivalent/Assistant Under Secretary)
 - 1-star (Brigadier and Service equivalent/Assistant Secretary)

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IV - THE DEFENCE STAFF

4.1 A new unified Defence Staff will be established. Its essential role will be, in the words of the 1963 White Paper, "the corporate duty of finding the best solution to the problems of the day, whether of an operational nature, strategic planning, defence policy or equipment priorities".

4.2 The Defence Staff will include the functions of the existing central military staffs and the greater part of the present Naval, General and Air Staffs reporting to the Service Vice Chiefs of Staff. These latter posts will therefore lapse. It will also contain secretariat and scientific staffs. Responsibility for directing the work of the Defence Staff will in general rest with CDS who will be responsible specifically for all military aspects of its work, including in particular the direction of military operations. The Defence Staff will be responsible to PUS for the political and parliamentary aspects of its work and coordination with other Government Departments.

4.3 Day to day direction of the Defence Staff will be undertaken by a Vice Chief of Defence Staff (VCDS) at 4-star level. He will act in all respects as Chief of Staff to CDS. He will be a member of the Chiefs of Staff Committee and of the Defence Council.

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4.4 The structure of the new Defence Staff provides for four groupings:

a. a Strategy and Policy grouping, headed by a Deputy Secretary, consisting of both military and civilian staffs. It will be organised so as to provide an enhanced capability for long term thinking covering the strategic, policy and operational aspects of both conventional and nuclear deterrence. The present arrangements for the command, control and maintenance of the strategic nuclear deterrent will not be affected.

b. a Programmes and Personnel grouping, headed by a Service Deputy Chief of Defence Staff (DCDS) at 3-star level. This grouping will be charged with determining military priorities in the allocation of resources and include both a central capability to address programmes on a defence wide basis and single-Service Directorates. It will also provide central coordination of Service personnel matters, including the medical services (see paragraph 8.1 below). The post of VCDS(Personnel and Logistics) will lapse.

c. a Systems grouping, headed by a DCDS at 3-star level, responsible for the formulation of operational concepts, the determination and sponsorship of operational

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requirements for equipment, and setting the aims of the military research programme. This grouping will bring together all the staffs of the present Service operational requirements organisations, and those in the present central staffs, together with integral scientific support. It will also deal with Command, Control, Communications and Information Systems on a defence wide basis. The operational requirements staffs will be organised initially on a systems basis - sea, land and air. This, coupled with the creation of a strengthened central concepts staff, represents a significant step forward in the evolutionary process of making procurement decisions on a defence wide basis; further progress in this direction is likely as experience of the new arrangements grows;

d. a Commitments grouping, headed by a DCDS and organised on a geographical basis. This grouping will formulate policy for defence commitments, including joint and single Service plans for operational deployments and transition to war, and issue directives for operations and major exercises. It will include a strengthened capability for central logistics and movements planning. The grouping will bring together the present central military and secretariat staffs concerned with these matters.

4.5 The new organisation preserves the separate identity of

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the Defence Intelligence Staff which, following MINIS examination earlier this year, will be restructured and streamlined under a 3-star Chief of Defence Intelligence, reporting to CDS and PUS.

V - ARMS CONTROL

5.1 In line with the importance which the Government attaches to realistic and verifiable arms control a new Defence Arms Control Unit (DACU) will be established to strengthen the Ministry's capabilities in this area. It will be separate from the Defence Staff and will be directly responsible to PUS. It will concentrate existing military and civilian arms control expertise within the MOD. It will include a policy review section charged with fostering and maintaining close links with academic and other outside bodies.

VI - DEFENCE SCIENCE

6.1 The present scientific staffs in the Ministry provide, through a complex system of cross-reporting, support for the Chief Scientific Adviser (CSA), for the individual Services and for the Controller R&D Establishments, Research and Nuclear (CERN). In an increasingly technological environment it is essential that the best scientific advice is available to inform the whole range of defence decisions. In recognition of this, it

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has been decided to reorganise the scientific staffs so as to make better use of their expertise, clarify lines of responsibility and end split reporting.

6.2 CSA will be responsible to the Secretary of State through PUS and will have a small staff to provide the necessary capability for independent long term thinking and scrutiny, and to allow central management of operational analysis work, including that currently carried out by the three Service Chief Scientists, whose posts will lapse. Scientific staff will also be deployed within the Defence Staff to ensure that constructive relationships between the relevant staffs are maintained and developed, particularly in the Systems area. These staff will be professionally accountable to the CSA.

6.3 The structure of the organisation under CERN is also being streamlined. Taken together with the above changes, this will allow a reduction in the number of senior scientific posts.

VII - SINGLE SERVICE HEADQUARTERS ORGANISATION

7.1 The Ministry of Defence will continue to contain the Headquarters of the three Armed Services. As the professional head of his Service, each Service Chief of Staff will be the senior adviser to CDS and, through him, to the Secretary of State on matters related to employment of his Service and its current

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and future effectiveness. Detailed management of the Services will be exercised through Service Executive Committees, in accordance with policy directives and budgets for main areas of expenditure determined centrally in consultation with the single Services. To ensure the necessary linkage between policy making and management, the single-Service Chiefs of Staff will have access to the Defence Staff who, in common with other parts of the Ministry, will be responsive to their needs. Each Service Chief of Staff will have sufficient single Service staff to enable him to direct the work of his Service, including that of the Principal Personnel Officer and Principal Administrative Officer and their staffs.

[7.2 The Government's commitment to the reserve forces and cadets is demonstrated by the retention of a two-star officer and supporting staff, reporting to the Chief of the General Staff, who will be responsible, as at present, for the Territorial Army and cadet matters. This officer, and those responsible for reserve matters in the other single-Service Executive Staffs, will also provide general policy advice on reserve forces and cadet matters to the Deputy Chief of Defence Staff (Programmes and Personnel): an important task of the Defence Staff will be to address how to make the fullest use of our volunteer reserves, which the Government believes provide a most cost-effective contribution to our defence capability.]

7.3 A high priority of the three Service Executive Committees

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will be to continue the work they already have in hand to streamline their area. This will include further delegation, where practicable, of authority for day-to-day administration to Commanders in Chief. Further steps will be taken to strengthen the fighting elements of the Services by transferring resources to the front-line from savings in the training and support areas and in the chain of command (such as the Army's exercise SHARP SWORD) as described in the recent Statement on the Defence Estimates (Cmd 9227).

VIII - RATIONALISING SERVICE SUPPORT AND LOGISTICS

8.1 As part of this search for economies in the training and support areas, the Government intends fully to pursue opportunities for rationalisation:

a. in Headquarters we are reviewing the scope for managing activities on an integrated basis. For example, the Government has recently received the first report from Sir Henry Yellowlees on his review of the Defence Medical Services which considers the organisation of the work at Ministry level. While the Government is firmly committed to the continuance of three separate uniformed medical Corps, we have accepted the major recommendation of this report that the policy for the defence medical services should be brought together under a single unified

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headquarters in the Ministry, supported by functional Directorates. This new unified Medical Services HQ organisation will be headed by an officer of 3-star rank who will be supported by two uniformed Deputies at 2-star level: he will report to the DCDS (Programmes and Personnel). The next step is to prepare a detailed executive plan for early implementation.

b. studies are in hand or are planned on the scope for the further rationalisation of Service training. In the Statement on the Defence Estimates 1984, the Government reported the co-location of catering training at Aldershot and the integration of language training at Beaconsfield, and stated that musician training was to be concentrated at a single location. A period of consultation will now begin on plans to establish the new Defence School of Music at Deal, with an intended completion date there in about 1988, although elements will be on site before then.

c. in logistics management some 23 separate ranges of stores embracing 25% of the Defence inventory are already managed by one Service on behalf of all. Renewed attention is being given to the scope for further rationalisation of this kind.

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IX - OFFICE OF MANAGEMENT AND BUDGET

9.1 The Government wishes to see within the Ministry of Defence much stronger central determination of priorities for expenditure and control of resource allocations. To assist this process the PUS's responsibility for long term financial planning and allocation and for the scrutiny and control of expenditure will in future be concentrated in an Office of Management and Budget (OMB) under the Second Permanent Secretary. Under this arrangement the present three Deputy Secretary posts covering single Service areas will lapse.

9.2 Under the 2nd PUS the OMB will cover the following four main areas of work, each supervised by a Deputy Secretary:

a. Resources and Programmes This grouping will be responsible for coordinating the Ministry's annual long term costing, including the issue of assumptions in accordance with priorities developed in conjunction with the Defence Staff, and for the Ministry's contribution to the Government's Public Expenditure Survey. Major proposals for expenditure including new equipment programmes will be scrutinised by the OMB on behalf of PUS;

b. Finance This grouping will be headed by the

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Principal Finance Officer (PFO) and be responsible for the Ministry's financial management, including cost control and accounts and matters of parliamentary accountability and propriety. All senior staff in the Ministry with financial duties will have a responsibility to the PFO. One of the major tasks of these finance staffs will be the development of the system of Executive Responsibility Budgets;

c. Administration The Deputy Secretary (Administration) will have important functions, currently undertaken by the single Service Deputy Secretaries, in supervising and directing financial and secretariat aspects of single Service personnel and logistics work. In addition this grouping will exercise central responsibility for the financial scrutiny of expenditure proposals in the Service personnel area and will deal with Defence lands, claims, and health and safety policy;

d. Civilian Management This grouping will be headed by the Ministry's Principal Establishment Officer. It will be responsible for civilian personnel management, training and conditions, industrial relations and a variety of other support functions, including headquarters security and office services. Consideration is being given to changes in this area designed to allow delegation of personnel management responsibilities for civilian staff to

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line management.

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9.3 An important task of the OMB will be the provision of a central capability for inspection and audit of defence activities. This will include work designed to further, where appropriate, rationalisation and standardisation between the three Services and other parts of the Ministry.

9.4 The primary objective of the OMB will thus be to achieve stronger control over the Ministry's corporate financial planning, the commitment of resources, and the financial and management systems which the Ministry follows throughout its work. It will aim to provide a constructive service to all levels of management and will be organised to allow the closest relationships between its staff and those of the Defence Staff, Service headquarters staffs and other parts of the Ministry. 2nd PUS will be a member of the Defence Council, and each Service Board and Executive Committee. PUS will continue to chair the Financial Planning and Management Group which brings together at a senior level those principally concerned with these subjects in the Ministry, including the Chiefs of Staff.

X - EQUIPMENT APPROVAL PROCEDURES

10.1 The establishment of the new Defence Staff and OMB will allow the central equipment committee structure and procedures to be streamlined. There will be a single Equipment Policy

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Committee to advise Ministers and Chiefs of Staff. The Committee will advise on the equipment production and development programme, and the balance of equipment investment, so as to ensure that they are matched to operational requirements, resources, defence policy, industrial and sales considerations, and technical feasibility. Membership of the Committee will reflect these interests as appropriate and other Government Departments will have the opportunity to attend meetings as necessary. The new Committee will replace the present Defence Equipment Policy Committee and Operational Requirements Committee and will be supported by sub-Committees dealing with individual areas of the equipment programme.

XI - MANAGING DEFENCE PROCUREMENT

11.1 The centralised Procurement Executive management structure established in 1972 remains basically sound. The review carried out within the Ministry with the assistance of Mr Peter Levene, the Personal Adviser to the Secretary of State for Defence, and other senior industrialists has confirmed that improvements should be sought in the way procurement is conducted. Expenditure on equipment accounts for approximately 46% of the defence budget, and is expected to amount to some £7,800 million in the present year. Better value for money needs to be sought, both from British industry, of which the Ministry is the single largest customer, and elsewhere, in particular through the

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important collaborative and co-production arrangements made with our Allies.

11.2 The Government's policy is that better value can be obtained from the private sector through more extensive and effective competition in the supply of defence equipment. It also believes that only certain essential activities need be retained within the public sector. Subject to legislation now before Parliament, the Government intends to transfer the Royal Ordnance Factories to Companies Act status and as soon as possible thereafter involve private capital so that this important national asset will be better able to develop its business on a fully commercial basis. Steady progress has been made in recent years in the disengagement of the Procurement Executive from activities more appropriate to the supplier than the customer. In line with this policy, the direct quality assurance oversight of defence contractors has been very considerably reduced, and more design and development work is now being done in industry rather than in the Ministry's own R&D Establishments. These trends will continue. More emphasis is being placed on the use of performance (or Cardinal Points) specifications when stating equipment needs, thus permitting industry to contribute more positively to the design of new equipment with a view to a better product both for the Armed Services and for the needs of the export market.

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11.3 This general approach must be sustained by changes of attitude and emphasis within the Ministry itself. The undoubted commercial awareness and professionalism amongst those responsible for defence purchasing must be fully harnessed if the full potential from the greater emphasis on competition is to be realised. Greatly increased stress will be placed in future on the contribution which the commercial expertise of the Ministry's contracts staff can make in achieving better value for money for the taxpayer and the defence budget. In the vital area of project management, project leaders need to be supported by balanced and integrated teams reflecting the various disciplines required; they must be given clear authority to match their responsibilities, and the necessary incentives to exercise judgement in achieving better value for money and taut financial control, while meeting the basic objectives of the tasks they have been set. Throughout the Ministry it is the intention to develop interchanges of staff at different levels with the private sector. We shall pay particular attention to the need to inject best business practice into the work of the Procurement Executive.

11.4 Support and maintenance costs form a very considerable part of equipment expenditure and it is therefore essential that they be recognised as an indivisible element of the procurement process. The Government intends to consider further the boundaries between the Service support organisations and the

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procurement staffs to see whether, on a case by case basis, there is a need for change.

XII - IMPLEMENTATION

12.1 The new structure described above will come into effect on 2nd January 1985: steps will, however, be taken to form the Defence Arms Control Unit in advance of that date. Every opportunity will be taken to co-locate staffs so as to facilitate the necessary close working relationship between the main elements of the organisation. New practices and procedures will be required and it is to be expected that further refinement of the new organisation will be needed over the next year or so leading to additional staff savings. Account will also be taken, as necessary, of work in hand to improve equipment procurement practices and associated organisational arrangements as described above in order to ensure maximum value for money in defence procurement.

12.2 These changes represent a substantial further step in the progress towards a more integrated and coherent higher defence organisation. But it must not be supposed that there are no further advances to be made. There is much to be done, for example, in delegating work outside the Ministry's headquarters. The Government will continue to seek improvements in the

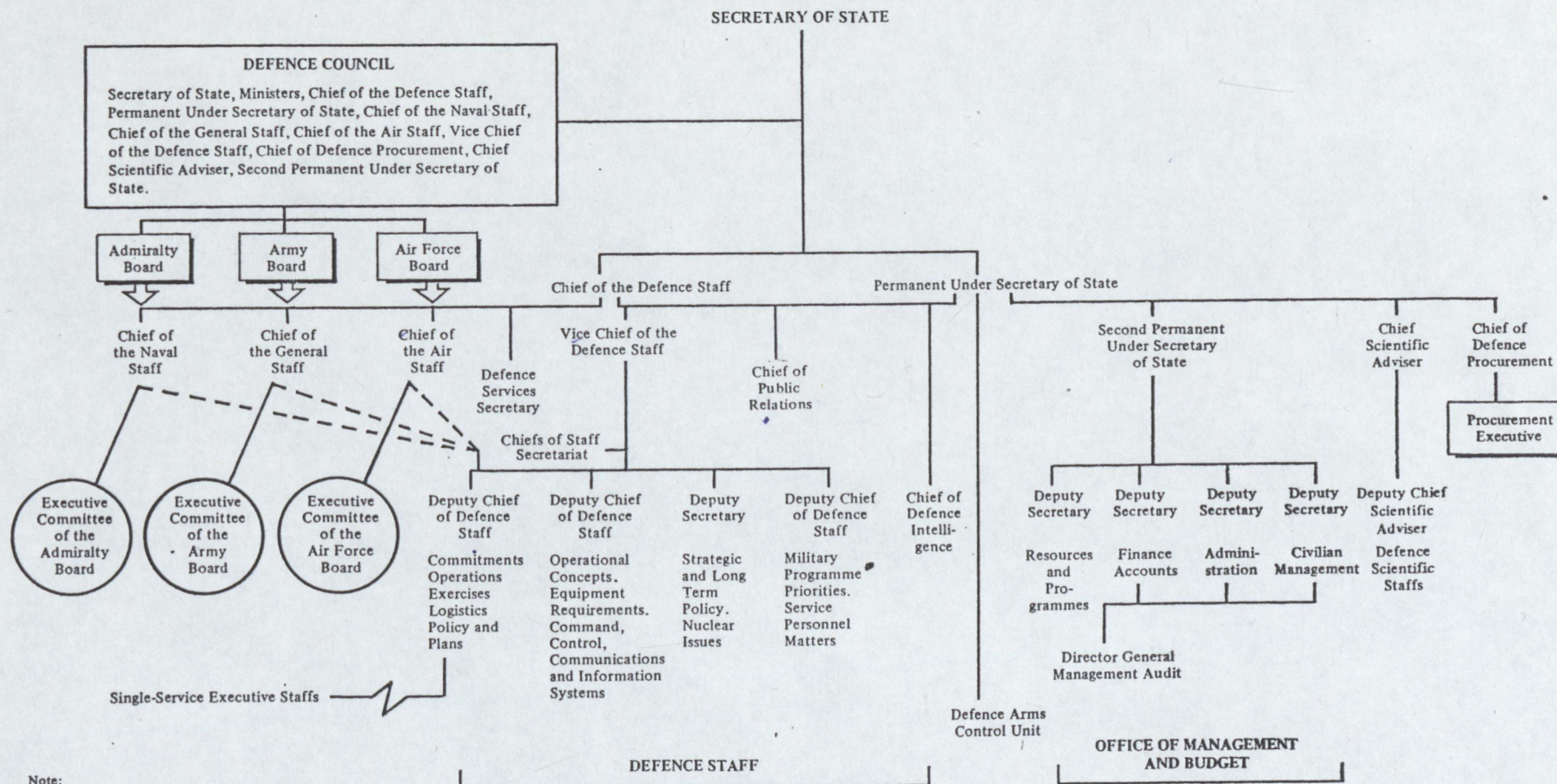
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efficiency of defence organisation and management when such advances are compatible with the overall defence interests of the nation

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THE HIGHER ORGANISATION OF THE MINISTRY OF DEFENCE



Note:

1. Single Service Chiefs of Staff have access to staffs of Vice Chief of Defence Staff, Chief of Defence Intelligence and Chief of Public Relations



MINISTRY OF DEFENCE

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01-218 9000 (Switchboard)

MO 20/22

6th July 1984

PI. type for the PM's
signature to each of the
four Chiefs of Staff.

New York

Many thanks for your letter of 4th July
enclosing records of the Prime Minister's
meetings with the Defence Secretary and the
Chiefs of Staff. As requested I enclose a
draft letter which the Prime Minister could
send to each of the Chiefs of Staff assuring
them of their continued access to her.

FRB

26-7-84

Yours etc,

Richard Mottram

(R C MOTTRAM)
Private Secretary

Robin Butler Esq

DRAFT LETTER FROM THE PRIME MINISTER TO EACH OF THE CHIEFS OF STAFF

When you and your colleagues came to see me on Wednesday to discuss the proposed reorganisation of the Ministry of Defence, I ~~said that, as has never been in question, the Chiefs of Staff would continue to have, individually and collectively, the right~~ ^{gave you my assurance that there is not, and never has been, any question of} ~~to have~~ ^{changing the right of the Chiefs of Staff, individually ~~have~~ and collectively,} ~~of~~ ^{to the} direct access ~~to me as~~ Prime Minister.

The purpose of this letter is to confirm formally what I said then.

~~in any case~~
I also said that I saw advantage in having a meeting once a year with the Chiefs of Staff. I propose to institute such an arrangement, beginning in 1985.



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PRIME MINISTER

c Sir Robert Armstrong

Cabinet - Ministry of Defence
Reorganisation

You are aware that the Secretary of State for Defence would like to make a short statement in Cabinet on 5 July on the impending reorganisation of the Ministry of Defence. I suggest that this could be best taken at the end of the Agenda item dealing with Foreign Affairs, when the appropriate members of the Cabinet Secretariat will be present.

B G Cartledge

4 July 1984

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10 DOWNING STREET

From the Principal Private Secretary

4 July 1984

Dear Richard,

BF | I am sending with this letter records of the Prime Minister's meetings with your Secretary of State and the Chiefs of Staff yesterday. You will see that the Prime Minister offered to confirm in writing to each of the Chiefs of Staff that they would continue to have direct access to her. I should be grateful if you could arrange for me to have a draft letter which the Prime Minister could send to each of the separate Service Chiefs giving this assurance.

Yours ever,

Robin Butler

Richard Mottram Esq
Ministry of Defence.

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10 DOWNING STREET

From the Principal Private Secretary

4 July 1984

Dear Richard,

Defence Reorganisation

I have recorded in a separate letter the Prime Minister's meeting with your Secretary of State and the Chief of the Defence Staff this afternoon, which concluded with a request from the Chief of the Defence Staff that the Prime Minister should receive the separate Service Chiefs. The Prime Minister held this meeting at 1815 this evening: the Chief of the Defence Staff, the Chief of the Air Staff, the Chief of the Naval Staff and the Vice Chief of the General Staff were present.

The Prime Minister summarised her discussion with the Chief of the Defence Staff earlier that afternoon. She and her colleagues felt that the proposed reorganisation should be tried. She did not have it in mind to diminish the overall role of the individual Chiefs of Staff: on the contrary, she meant to enhance it by involving them in the overall responsibility for defence. She was glad that the separate Chiefs were to have the staff they required, and she reminded them that the separate Services would continue to be the building blocks on which defence organisation was based. She would be willing to confirm in writing that the Chiefs of Staff would continue to have direct access to her and there might be advantage in annual meetings at which they could keep her in touch with their views. She invited the Chiefs of Staff to give her their comments.

The First Sea Lord thanked the Prime Minister on behalf of his colleagues for making time for the meeting. He said that he and his colleagues fully shared the Secretary of State's desire to achieve a lean and efficient Ministry of Defence. They welcomed a sufficient centralised control to ensure a powerful and high quality contribution to strategy and high policy, and particularly to the allocation of resources. It was a question of the correct balance between policy definition and management and he and his colleagues

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were worried that the balancing was moving too far to the centre. This was illustrated by the fact that the proposed central staff would increase from 177 people of officer rank to over 500. The size and scope of the responsibilities of the central defence staff was in danger of blurring lines of responsibilities and producing a defence equivalent of British Leyland in which policy formulation was divided from executive management and the influence of individual Service Board members on equipment would be diminished. He welcomed the Prime Minister's assurances of the desire to give the separate Chiefs of Staff continued influence and continued access to the Prime Minister, but they were bound to become more dependent on a defence staff who did not owe their undivided loyalty to the separate Service heads. He and his colleagues also felt that the speed with which the complex exercise had been undertaken left them with less than full confidence that it could be fully thought out in time for implementation on 1 January. Finally, whereas under present arrangements in times of crisis the separate Chiefs could call on their own deep involvement and that of their Service Board colleagues in the individual Services, there was a danger that under the new arrangements their advice would become shallow and of less value.

The Chief of the Air Staff endorsed what the First Sea Lord had said. The logic of extensive centralisation pointed towards unification of the Services. The present arrangements appeared to fall between two stools: they did not go as far as towards full unification as, for example, had been done in the unhappy experiment in Canada, but they went too far away from maintaining the independence of the separate Services. The separate Service Chiefs would retain responsibility for the total efficiency and morale of their Services but were in danger of having insufficient means of achieving them: this would be a position of power without responsibility. If Lord Trenchard had not had a strong voice and a strong Service staff in the 1930s, the Royal Air Force would not have been sufficiently equipped to fight the last war.

Lieutenant General Sir James Glover expressed the regret of the Chief of the General Staff that the timing of the meeting had not enabled him to return from abroad. He too endorsed what his colleagues had said. He recognised that the defence organisation was an evolving structure, which needed change in the processes governing the central allocation of resources and the central direction of operations. But the Chief of the General Staff was responsible for the operational efficiency of the Army as a whole. He needed to feel that he could exercise a real and personal responsibility and that he had the resources to carry it through: he was not convinced that the new organisation would provide this. There was a risk that

responsibility would be fragmented because the new organisation was seeking to reconcile the irreconcilable. The central staff would be serving two masters and the Chief of the General Staff would lose his personal single responsibility for initiating the Army's programme and ordering its equipment. He would no longer be in as good position to give independent advice which would preserve the balance in peace and develop the professional expertise necessary for warlike situations. The Chief of the General Staff was therefore not convinced that the new structure would be an improvement and feared that introduction might eventually be regretted.

The Prime Minister said that she had not been involved in the detailed planning of the new organisation, but she had been involved in the inception of the proposals and had read the minutes of 13 and 29 June from the Chiefs of Staff and the Secretary of State's reply. She therefore knew the general thrust and intention of the proposed reorganisation. There was no question of unifying the Services: any attempt to do so would be extremely foolish. The Chiefs of Staff in their minute of 13 June had expressed concern that they would have insufficient staff to support them in their work for their own services and in relation to the rest of the Ministry of Defence; and the Secretary of State had tried to meet this point. She regarded the role of all concerned as being to defend The Queen's realms: if this failed, it would not be a failure of one Service or the other but of defence as a whole. The proposals on reorganisation recognised this and the individual Services could not disregard the weapons systems and the roles of the other Services. She saw the new organisation as not diminishing the roles of the separate Service Chiefs but of enhancing them by giving them a greater say in the overall defence effort: it was therefore not responsibility without power but responsibility with enhanced power. She had always treated the Chiefs of Staff as a collective body, and would continue to give them access severally or jointly to the Prime Minister. She recognised that there was a reluctance about proceeding from the known to the unknown but she believed that if the Chiefs of Staff gave the new organisation a chance they would find it to be an improvement.

The Chief of the Defence Staff said that he and his colleagues welcomed the assurances which the Prime Minister had given. At the end of the day, they were bound to feel some scepticism about the new organisation, but this would not interfere with the devotion and enthusiasm with which they would try to make a success of it. He welcomed the Prime Minister's suggestion of periodical meetings with the Chiefs of Staff, and hoped that she would agree that there should be a review of the new organisation in due course.

The Prime Minister said that it would be right to

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review the new organisation when it had been given a reasonable time to settle down and to work. She also repeated that the Chiefs of Staff would continue to have the right of access to the Prime Minister and she would see advantage in annual meetings with them.

Yours ever.

Robin Butler

Richard Mottram Esq
Ministry of Defence.

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10 DOWNING STREET

From the Principal Private Secretary

4 July 1984

Dear Richard,

The Prime Minister met your Secretary of State and the Chief of the Defence Staff this afternoon to discuss defence reorganisation. Sir Clive Whitmore and I were present.

The Chief of the Defence Staff said that the Chiefs of Staff had no wish to provoke a confrontation with the Secretary of State, with whom they had worked successfully over the last eighteen months and hoped to continue doing so in the future. But they felt a responsibility to advise the Government on whether the new organisation for defence would work as well as the present one and, irrespective of personalities, stand up to the stresses and strains of a crisis. In his own case, he was able to do so from experience of several defence reorganisations.

The Chief of the Defence Staff said that, having initially stated some reservations to the Secretary of State, he and his colleagues had felt it their duty to design the optimum organisation consistent with the Consultative Document issued by the Secretary of State. They felt that the model which had resulted could be made to work in all normal circumstances, and embodied marginal improvements in the handling of minor crises and the allocation of resources. But, as the exercise developed, the Chiefs of Staff had realised that they had major reservations on philosophy, particularly on whether the centre could be functionalised much more than Mountbatten had done without impairing the management and effectiveness of the individual Services, the balance between policy and management, and the ability of the Service Chiefs to exercise responsibility for the morale and efficiency of their Services. These reservations had been set out in the minute of 13 June to the Secretary of State, which also listed six major disadvantages of the proposals. They feared that the shortcomings would become apparent not in the conduct of warlike operations but in the shape of each Service and in the reliability of professional advice. They had offered similar savings by an easier modification

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of the present organisation, which would avoid the major upheaval involved in the present proposals. The CDS said that the Chiefs of Staff had felt it necessary to send their further note of 29 June because they felt it was the only way to emphasise that the Government's proposals were going down a quite discernible and different path. As regards the position of the Chiefs of Staff if the centre was strengthened and the influence of individual Chiefs on the formation and development of policy was reduced, while three separate Services were retained, the expertise of the separate Chiefs was bound to be diluted, lines of responsibility would be blurred and ultimately the quality and availability of the specialist advice necessary in a crisis would be diminished. The extent and timing of this effect could not be quantified, and the Government might feel that the risks were worth taking and the arrangements in the White Paper should be tried. If so, the Chiefs of Staff would loyally support the White Paper and do their best to make the arrangements in it work, recognising that some aspects would be beneficial; but they felt bound to make clear to the Prime Minister their views, and draw attention to the change in balance involved and the potential dangers of that change.

The Prime Minister said that she had not been involved in discussion of the detailed arrangements. But when the Secretary of State had informed her and her colleagues of his proposals, they had felt that they were not so much a fundamental change as the last evolutionary step in the process initiated in the Mountbatten proposals towards a conclusion which was desirable for the defence of the country. She herself felt a strong sense of loyalty to the Chiefs of Staff, but she had been taken aback by the minute of 29 June because she did not see how it was possible that an arrangement which was regarded as workable and advantageous in peacetime could be damaging in the event of war. The CDS intervened to say that the comments in the minute of 29 June did not refer to the conduct of operations, which might be improved by the new arrangements: the fear was that, when in a crisis the Government needed to refer to the individual Chiefs of Staff, they might not find them in the same position to advise and take responsibility as they now were.

The Prime Minister replied that she saw the separate Chiefs as taking a bigger part in the defence of the nation because they would be involved in the fundamental decisions governing overall defence and not only in the decisions affecting their own services. She had no difficulty in agreeing to the proposition that they should have adequate staff for this purpose. She recalled calling in the Chiefs of Staff over the decision on Stingray which, in her view, had implications for all the Armed Services; and she had treated them then as having a collective responsibility.

CONFIDENTIAL

CONFIDENTIAL

-3-

She had similarly involved them in the Falklands operation. She recognised the difficulty of changing from a known and familiar arrangement to an unknown one; but she could not believe that the individual Chiefs under the new arrangements would not know the capability of their own Service or be able to advise on it. She was determined that the individual right of access of the Chiefs of Staff would be maintained: she would be prepared to confirm this in a letter to them and would also be prepared to have annual meetings with them.

The Chief of the Defence Staff said that he regretted that the Government were not satisfied with the present system: over 98 per cent of the field, what was right for each individual Service was the best for defence as a whole, and it was only over 2 per cent of the field that problems of allocation arose. But he took the message that the Prime Minister and the Secretary of State would want to give a trial to the new arrangements. He was himself grateful for the assurances which the Prime Minister had given, but it would be immensely useful if she would give the separate Chiefs of Staff the opportunity to represent their views to her and repeat her assurances directly to them. The Prime Minister said that she would be glad to do so.

Yours ever,

Robin Butler

Richard Mottram Esq
Ministry of Defence.

CONFIDENTIAL

Prime MinisterPl. put on file
dealing with defence
reorganisation.

It is good of you to see ^{with me} me, with all your pre-occupations; and I do not know whether you have had time to read the relevant minutes - ours of 13 and 29 June and the Secretary of State's response which, of course, we only got this morning; ^{planned} But let me make it clear from ~~the start~~ that the last thing that I or my colleagues wish, is to provoke a confrontation with our Secretary of State' on this matter. We have worked successfully together over the last 18 months and I hope we will continue to do so in the future; but I am sure you will be the first to appreciate ^{how} that the Chiefs ~~of Staff~~ do feel a deep responsibility to advise HMG on whether, whatever new organisation we are required to adopt at the the head of the Defence of this country would, from our combined experience, be likely to work at least as well as the present one and, irrespective of personalities, would stand up to the stresses and strains of a real crisis, such as faced us in the Falklands.

And in my case, ^{3 ill} ^{as you know} that experience of the theory and practice of Defence reorganisation is very considerable and perhaps unique, ~~as I think you know.~~ [~~Having 3 successful reorganisations and one successful campaign as a Chief of Staff in my immediate experience, with special and individual responsibilities to Lord Mountbatten for the 1963 reorganisation, with the chance of watching the Canadian experiment get off to such a disastrous start from which is has never recovered; the streamling of UKLF in 1971 which saved so many people; and most recently the successful changes brought by Sir John Nott and Lord Lewin, of which I was a leading advocate and most enthusiastic supporter, and did most of the things that urgently needed doing.~~] So I certainly have no axes to grind for so called single Service vested interests or against change as such.

However this exercise ^{has been} was a bit different. It was launched without prior consultation, expected to be completed in a great rush and the so called consultative document was released to the Press and Parliament immediately, so that the scope of the Steering Group ^{was} was much restricted.

But having initially stated some reservations to the Secretary of State, I and my colleagues knew it was our duty ~~diligently~~ to do our very best to design the optimum organisation within the constraints of the Open Government Document. This we have done and the result is the model in the draft White Paper which, as we have said, can be made to work in all normal circumstances and we would loyally ensure this happened. Indeed it embodies marginal improvements in the handling of minor crisis and the allocation of resources which, if not done better, will certainly be ^{much} more comfortable to handle.

But as the exercise developed, the clearer we became that we had major reservations, not so ^{much} on specific points of detail but on the philosophy as a whole, and particularly on the basic premise on whether you could, ~~in fact~~, functionalise in the Centre that much more than Mountbatten had done, without impairing the sound management and effectiveness of the individual and separate Services, and the balance between Policy and management, and the ability of the Service Chiefs to carry out their proper responsibilities for the morale and ~~total~~ efficiency of their Service. After all you can hardly say to a man I hold you totally responsible for the effectiveness of your Service, how it performs in battle and for professional advice on its usage, but of course ~~you will have~~ increasingly, and ^{then} ~~then~~ somewhat under sufferance, ^{you will have} less real say in how it is equipped, or how the

money is spent on your Service, within the overall amount laid down by the Centre. This is the overriding point which the Secretary of State ^{recognises} in his recent minute. He wants to tip the essential balance one way and we think he has tipped it just too far.

Anyhow, as you now know, we explained all this at length to ^{him} ~~the~~ Secretary of State on 13 June which, as well as giving some ^{strong} supportive views, ~~in the areas where real benefit could accrue~~, we emphasised "our reservations and serious misgivings amounting to alarm" so that "he should not be caught unawares by the depth of our feeling". And you will remember we went on, with the Falklands as background, specifically to illustrate the importance of the long established principle "that those who give professional advice (albeit through CDS) relating to the capability and usage of individual and very different Services in battle, must feel responsible and accountable for that advice and for what goes on in that Service, in the way of equipping it, training it and its technical and tactical expertise". "Otherwise you would get", we said, "the worst possible mis-match of responsibility without power and vice versa". And in our conclusions we not only listed 6 major disadvantages of the overall proposals but said "we would be abandoning a proven system which had been working with increasing efficiency over the last few years, operated extremely well over the Falklands campaign and shown a steady decline in numbers for one which we were convinced would not serve him so efficiently".

^{Ally}
Whilst we did not actually use the word 'war', it was obvious that this is where ultimately the shortcomings would most seriously be felt. Not, I hasten to add, in the conduct of operations which might ^{even} well be better, but in the shape each Service might find itself in to fight such a war ^{it responsibility + 167} and in the reliability of the best

professional advice. // As an alternative we offered, and still do, with a minimum change to the White Paper, to find the Secretary of State similar savings by a [^]much easier modification of the present organisation, which we believe would be fully receptive to his requirements without the major upheaval proposed. *as it will be.*

The reason for the second note was that, although he has done so at some length now, ^{of which we are entitled} the Secretary of State, ^{had} at the time, ^{just} scarcely acknowledged our note of 13 June, let alone discussed any of the main reservations; preferring, perhaps because he was encouraged by our determination to produce a working blueprint against his remit, to believe it was just a question of tidying up the details and making a minor concession here and there, even though at a meeting he held on this detail, ~~we did~~ ^{we} did remind him that our overriding reservations remained.

2. 11.50 ↑ can say it

You may feel the second note was a bit stark and unambiguous, but we felt it was the only way to emphasise our deep concern and to bring it home that we really were going down a quite discernible and different path as regards the position of the Chiefs of Staff, the implications and consequences of which should be taken fully into account. And that path is, ^{surely this that} if you do centralise and functionalise further in the Centre, ^{and get smaller in central number 200 or also} and as a result aim, as these proposals clearly do, whatever the Secretary of State's minute may say, at reducing the influence of individual Chiefs on policy and distancing them from the development of that policy, and yet keep three separate Services, you are bound to dilute expertise, blur lines of responsibility and ultimately diminish in a real crisis the quality ^{of} of the specialist advice ~~available~~ to which HMG would so urgently and desperately turn; and shared staff, however contrived on paper, will not get over this simple truth.

Clearly my colleagues and I cannot quantify the degree of
degradation or even when it would occur; and you may be persuaded in
the light of the Secretary of State's explanation and philosophy, and
because we are uncomfortably far down the road, that the risks are
worth taking and the ^{what page,} ~~proposals~~ ^{cap: dj modli} should ~~go ahead~~ ^{be tried}. We would then, as I
say, ^{you} loyally ^{Sign up on the white paper} do our best to make ~~them~~ ^{it} work well, and we fully recognise
that some parts would ~~be of~~ ^{bring} benefit. But we would have fallen down
in our duty, Prime Minister, if we had not made our views ^{clear} clear to
you and particularly highlighted the change in balance which would be
occurring and the potential dangers of that change. Thank you

1. Admiral Sir John Fieldhouse
Chief of Naval Staff and First Sea Lord

2. Vice Chief of Staff Lt. General Sir James
Glover representing
General Sir John Stanier
Chief of General Staff

3. Air Chief Marshal Sir Keith Williamson
Chief of Air Staff

Admiral Piddhore

Central staff - High Policy
- Good Balance →

B.L.

Blue line of responsibility.

Speed - Adequately thought
out.

CRISIS [Senior Board Colleagues
formulates + policy]

"Reduction of Influence.

Sir Keith

- "Unilateral"

- Total efficiency

"Needs 'substantially
influencing'

Responsibility without
power.

Lord Frederick

Sir Ganes

Responsibility

'fragmented'

"collective"

Introducing many divisions
for employment related
independent advice.

Grant - Lloyd
Recognise your wide experience
Responsible - Centre / Service centres
Responsibility without power.
13th June - Staff.

KEY POINTS TO MAKE

- Talking about a process of evolution to a more defence-based approach, building on the 1963 and 1981 changes. A question of tilting the balance a little further.
- Seen your careful judgement in your minute of 13th June that the Steering Group's recommended model can be made to work and that the Chiefs of Staff would loyally try to make it do so. Noted the advantages and disadvantages set out including the improved arrangements in war. Glad that there have been detailed discussions in which the concerns of the Chiefs of Staff about having their own staffs and about working arrangements have been met.
- Understandable that the Service Chiefs of Staff will wish to preserve their position and would prefer the status quo.
- Can assure you that there is no intention of using the new arrangements to distance the Chiefs of Staff from effective influence on matters concerning their Service.
- The staff provided for ^{them} and the interlocking Committee structure which operates in the MOD, and which is essential now and in the future, will ensure that this does not happen.
- As the Chiefs of Staff retain their right of access to me, no question that such a process could begin in the future without their having effective means to challenge it.
- Hope therefore we can now all work together to make the new structure effective.

Many more
and more

Staff do
the new
structure

relationships of the Chiefs of Staff
was in what the Chiefs of Staff



10 DOWNING STREET

Prime Minister

Here is Mr. Heseltine's
reply to the CDS, which
you will want to read to
arm you with the
arguments for dealing
with the CDS tomorrow.

FRB

3.7.



MO 20/22

Copy to:

PUS
CNS
CGS
CAS
2nd PUS
SECCOS

CDS

DEFENCE REORGANISATION

with FCRB?

I have considered most carefully the further minute which you and your colleagues sent to me on Friday and which we discussed together yesterday. Given the importance of the issues which this minute raises, I believe that I should respond fully in writing.

2. As we discussed, I have to say that I was most surprised to receive a minute couched in such terms at the end of a process of discussion involving three meetings with all of the Chiefs of Staff, during which the views set out in paragraph 4 were never put to me in these terms. Moreover, I do not find at all persuasive the reasoning in your minute. Read literally, you appear to be suggesting that the Chiefs of Staff believe that the proposed organisation can be made to work satisfactorily in peace time but would not work in a crisis involving war-like operations. But, as your minute of 13th June makes clear, the Chiefs of Staff actually believe to be advantageous the arrangements under the model for the central control of operations. There is a consensus that organisation in war would be improved. As we have established, your concern in fact relates not to the conduct of war but to the peace time question of the position of the single-Service Chiefs of Staff in determining the size and shape of their Service's programme, its detailed working through, and the definition and detailed formulation of operational requirements. Your argument rests on the proposition that the position of the single-Service



Chiefs of Staff in these matters would be so weakened that they would no longer be able to give the Government the considered professional advice on which we must rely in a crisis. Plainly this is a view which I have to study very carefully.

3. In discussing these concerns, I have detected an underlying feeling that there is an intention on my part to degrade the position of the Service Chiefs of Staff. It needed no prompting from anyone for me to insist that the central position of the Chiefs of Staff as members of the Defence Council, with their right of access to the Prime Minister, and as head of their Service and Chairman of its Executive Committee should be maintained as now. But once such attitudes develop, the attitudes themselves can colour the judgement of what is actually proposed. And it is difficult to counter such assertions once they begin to gain currency. I have to say, however, that it seems to me to be self evident that, if that had been my intention, the proposals in my original open Government document would have been couched in very different terms. There have, for example, been a number of experts over the years who have put forward plans for a centralised, functionalised Ministry in which the individual Chiefs of Staff would lose their position on the Defence Council and their right of access to the Prime Minister, and be reduced essentially to "inspectors-general". My own proposals did not point in this over-centralised direction and involve no change in the status of the Chiefs of Staff, other than the recognition of what is already the reality that they should report formally to me through you. And, of course, in the highly successful Falklands operation, the Chiefs of Staff operated in relation to the Chief of the Defence Staff in this way.

4. There is a difficult line to draw between the responsibilities of the single-Service Chiefs of Staff and the need to provide for the formulation of balanced defence-wide advice. We have to recognise that the interests of each Service are not always consonant with the defence interest as a whole. This requires a difficult balancing act in organisational terms. That is what we have been seeking to address.



5. Your earlier minute of 13th June itself addressed these issues at length and in the depth that they warrant. Your general conclusion then was that the new model as presented could, as you put it, be made to work (presumably in war as well as peace since it is the former which must ultimately concern us); but you drew attention in paragraph 14 of that minute to certain essential needs of the individual Chiefs of Staff. These were that they should have adequate executive staffs of their own, a "significant hand" in the development of both operational requirements for their own Service and the balancing of their own Service programmes, and be provided with a senior Staff Officer. I gave this minute most careful consideration and discussed the arrangements in the Defence Staff and in the single-Service areas in depth with you and your colleagues at two initial meetings (and we of course subsequently discussed further refinements to the model). I understood your concerns to relate to the priority attached by the single-Service Chiefs of Staff to the provision of the staff shown under them in the model, a proposal which I subsequently agreed, and to the provision of arrangements for the full involvement of the Chiefs of Staff in programme and OR matters. We discussed at length at our first meeting the proposed arrangements in the programmes area, and no-one suggested that they were unworkable: indeed, one of the Chiefs of Staff gave a specific assurance that they would work. We also discussed the arrangements for the handling of operational requirements and, in the light of these discussions, the Steering Group themselves proposed, in PUS's minute of 21st June, that we should move as quickly as possible to a tri-Service systems-based approach. Strong concern was certainly expressed over the number of two-star officers in such an organisation initially and I met that concern by agreeing the Steering Group's recommendation.

6. It is now represented that in order to have a "significant hand" in these matters the Service Chiefs of Staff must have the staffs concerned in their own line management area under their direct supervision and control. The argument is made that this would make for a clearer organisation with a "centre" dealing with high policy and what would essentially be recreated Service departments dealing with



the detail. It is said that this would avoid blurred lines of responsibility and the overloading of the centre. But in reality there is no such easy dividing line of this kind. Size and shape questions are themselves at the heart of Defence policy and at the heart of resource allocation. In both these issues and in operational requirements matters we have to look across Service boundaries and not simply within them. To bring these functions into a single Defence staff will not overload it: the staff numbers involved are not particularly large in absolute terms and adequate supervision and high level input is provided for in the recommended model.

7. The proposed alternative would not then make for a clearer organisation: it would simply change the nature of the arrangements required for the proper coordination of business. My own approach, on the other hand, has been to seek to get away from the concept of a "centre" and three Service departments. I have seen the Defence Staff as a resource to which all of my most senior advisers, including, of course, the single-Service Chiefs of Staff, will have full access. The direction of its work on military aspects of policy is ultimately a matter for you, but my own assumption had been that you will wish to continue to review major policy issues in the forum of the Chiefs of Staff Committee. At the level of individual programmes and operational requirements questions, my understanding has been that the individual Chiefs of Staff will engage in a close dialogue with the DCDS (Systems) and the DCDS (Programmes and Personnel) and their staffs and that we shall need working arrangements which provide for the integration of programmes and operational requirements on both a Defence and single-Service bases. Under these arrangements, the Chiefs of Staff's voice will remain a most important one and there will be no question of a loss of contact or of expertise of the kind being talked about. It was to facilitate this input that I agreed to the Steering Group's proposals for the staff under each Service Chief of Staff.

8. I believed - and still believe - that the discussion that we held following your minute of 13th June fully addressed the reservations



expressed in that minute and the language of your further minute of 29th June is not supported by detailed analysis. You have yourself asked that your concerns should be put to the Prime Minister which is your right: in view of the importance of these issues, I believe that a meeting would be helpful and I have therefore asked the Prime Minister to see both of us together so that you can explain the views of the Chiefs of Staff. Needless to say, I am providing her with copies of your minutes of 13th and 29th June, together with the recommendations of the Steering Group and a copy of this minute.

W. H. H.

3rd July 1984



MO 20/22

MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~2307022~~ 218 2111/3

2nd July 1984

*Dear Robin*DEFENCE RE-ORGANISATION

I understand that at the Defence Secretary's meeting with the Prime Minister this afternoon, it was agreed that I would let you have the papers setting out the background to where matters now stand. I attach the following documents:

- a. The report of the Steering Group of 12th June setting out the recommended "model" for the new organisation. (The Steering Group is chaired by Sir Clive Whitmore and its membership includes Sir Edwin Bramall and Sir John Fieldhouse).
- b. A minute received in parallel from the Chiefs of Staff and dated 13th June setting out the advantages and disadvantages of the proposed model and the Chiefs of Staff's conclusions on it.
- c. A minute from the Defence Secretary of 29th June summarising the outcome of three meetings with the Chiefs of Staff and others about the recommended model.
- d. The draft White Paper prepared on the basis of the recommended model, which includes an organisation chart down to Deputy Secretary/3 star level.
- e. The Chiefs of Staff further views in their minute of 29th June.
- f. Two alternative organisation charts. The first shows the recommended model down to the Under Secretary/2 star level as it has been agreed in the detailed discussions leading up to the draft White Paper. The second shows the alternative proposals of the Chiefs of Staff on the basis of which they would withdraw their reservations at e. above.

These papers are inevitably very detailed and the underlying issues do not immediately emerge. The crucial point is that the Chiefs of Staff's objections to the recommended model do not concern the way in which, under it, a crisis and warlike operations

F E R Butler Esq

*Flagged
below*



would be handled, although it might be inferred from paragraph 4 of their minute of 29th June that this is the problem. As they point out in their minute of 13th June, they believe to be advantageous the proposed arrangements under the model for the central control of operations. Command and Control arrangements in a crisis and war, as over the Falkland Islands, are not therefore at issue.

The Chiefs of Staff's objections in fact relate to the location and supervision of the military staff concerned with the size and shape of each of the Services, the detailed working through of their programmes, and the definition of operational requirements. Under the Steering Group's model, the Programmes and Operational Requirements staffs would be located under two Deputy Chiefs of the Defence Staff for Systems and for Programmes and Personnel reporting to VCDS and through him to CDS. The single-Service Chiefs of Staff would have access to these staffs but they would not control them. Under the alternative that they have put forward the programmes and Operational Requirements staffs would remain in the Service departments under a 3 star officer looking at the programme as a whole and a 2 star officer dealing with Operational Requirements both of whom would report to the single-Service Chief of Staff. The staff under CDS and VCDS would be limited to those concerned with the development of concepts and the scrutiny of Programmes and of Operational Requirements essentially developed and worked through in the single-Service areas.

The Chiefs of Staff argue that under the recommended approach they would over a period of time lose the ability properly to integrate and to be responsible for the totality of the programme of their Service and thereby to guarantee that in the event of war its fighting effectiveness could be assured. They propose to deal with this problem essentially by limiting the re-organisation to a re-shuffle of responsibilities in the central area (with valuable but limited measures of integration and clarification of responsibilities), while in the single-Service areas they would maintain a structure similar to that at present but thinned out a little at the 2 star level (for example, while the Service Vice Chief's posts would disappear, they would essentially be recreated in the 3 star Assistant Chiefs of Staff concerned with Programmes).

The issue which has to be addressed therefore is the extent to which in the Programme and Operational Requirements areas which underpin key resource allocation decisions, the Government wishes to shift responsibility away from a single-Service approach into a defence-wide framework.

Yours etc,

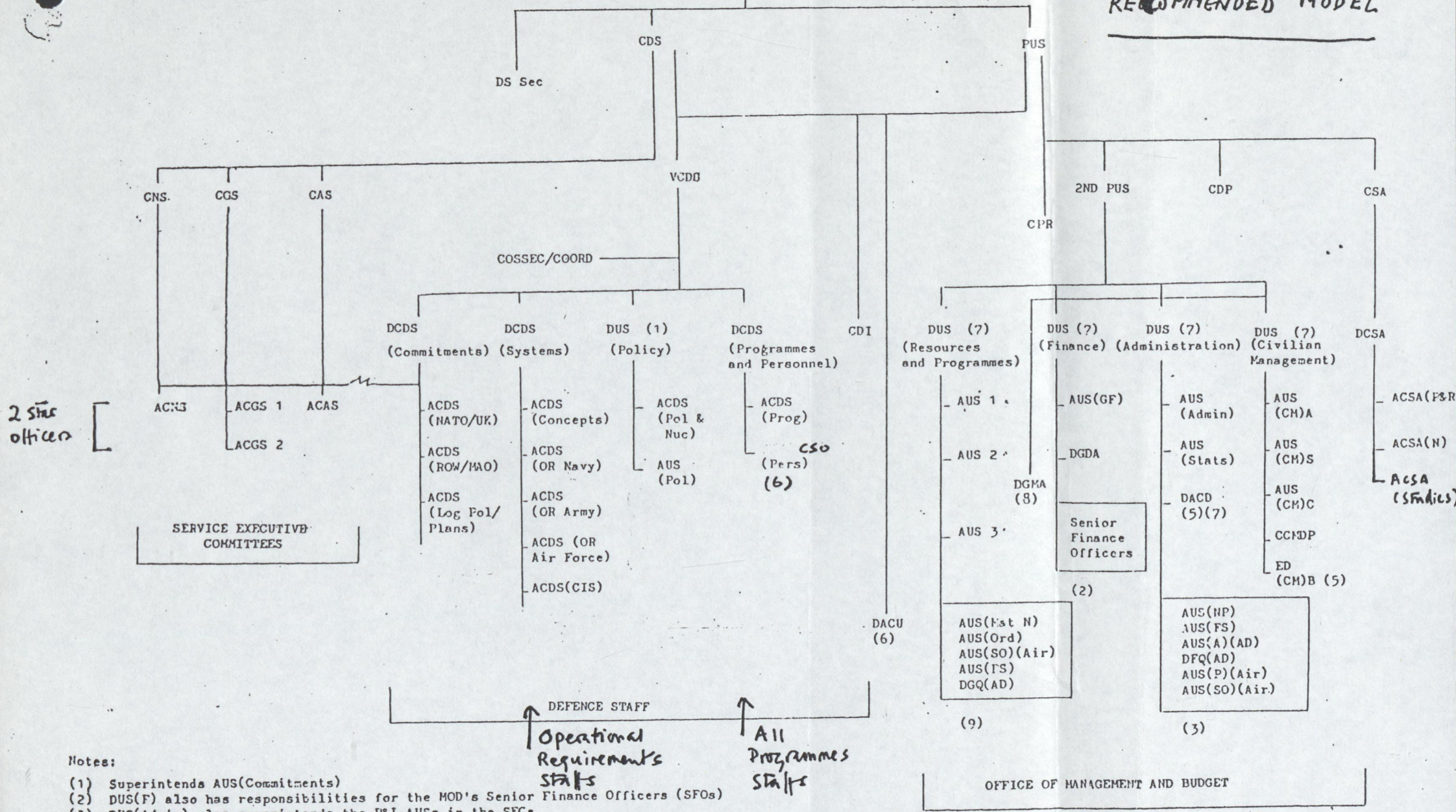
Richard Mottram

(R C MOTTRAM)

THE HIGHER ORGANISATION OF DEFENCE

(DOWN TO 2 STAR LEVEL)

RECOMMENDED MODEL



2 star officers

SERVICE EXECUTIVE COMMITTEES

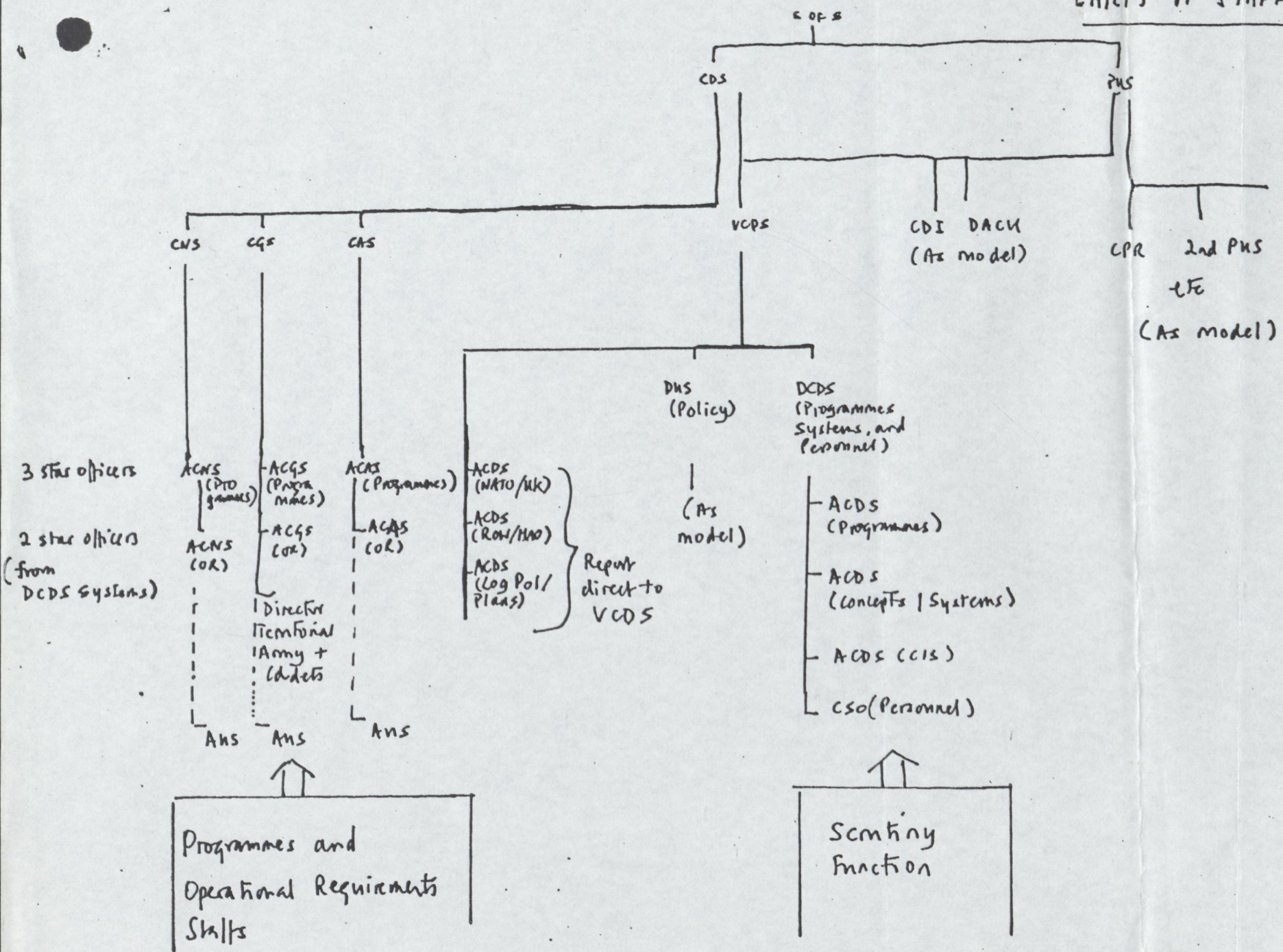
DEFENCE STAFF
 ↑ Operational Requirements Staffs
 ↑ All Programmes Staffs

OFFICE OF MANAGEMENT AND BUDGET

Notes:

- (1) Superintends AUS(Commitments)
- (2) DUS(F) also has responsibilities for the MOD's Senior Finance Officers (SFOs)
- (3) DUS(Admin) also superintends the P&L AUSs in the SECs
- (5) 1 1/2 Stars
- (6) 1 Star / Assistant Secretary
- (7) Subject to one or more studies (eg. CSA's IT Study, Mehev, CIRC, Yellowlees, Cr.w, DGDA audit, etc)
- (8) Reports to DUS(Finance), DUS(Administration) and DUS(Civilian Management)
- (9) Responsible to DUS(RP) for financial scrutiny of requirements.

CHIEFS OF STAFF ALTERNATIVE



E

PUS
2nd PUS
SECCOSSECRETARY OF STATEDEFENCE REORGANISATION

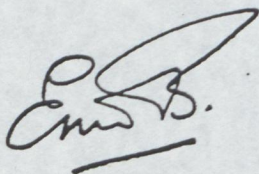
1. You will shortly be telling your Cabinet colleagues what you propose on Defence Reorganisation, and we feel it appropriate to remind you of our views - supportive as well as critical. These were forwarded to you under our four signatures on 13 June. Since then you have met us on certain points of detail, but our overall reservations and serious misgivings remain valid.

2. The Chiefs of Staff feel responsible for ensuring that any new organisation will stand up in a crisis irrespective of who occupies the highest positions at the time and this is where our greatest concern lies.

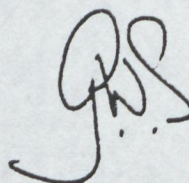
3. We believe that we can make your proposals work satisfactorily in peacetime, and that central control and allocation of resources may well be improved and certainly made easier for you to handle by the arrangements we have now agreed upon. We also accept that the Ministry of Defence is too large and fully support your determination to streamline the system wherever possible.

4. However, we cannot accept that the new proposals will provide the Government with sound professional advice in a crisis involving warlike operations. Your proposals undoubtedly aim at reducing the influence of individual Chiefs of Staff on defence policy and distancing them from the development of that policy. They will also inevitably dilute the expertise that the Chiefs of Staff can call upon, blur the lines of their responsibility for the effectiveness of their service and ultimately diminish the quality of advice available to the Government in a crisis. Thus, since we may live to regret these decisions in the event of war, we believe Cabinet Ministers should fully understand these implications and appreciate our grave concern.

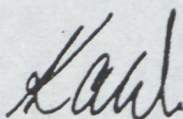
5. We request that this note should be laid before the Cabinet when they consider your White Paper.



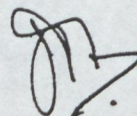
CHIEF OF THE DEFENCE STAFF



CHIEF OF THE GENERAL STAFF



CHIEF OF THE AIR STAFF



CHIEF OF THE NAVAL STAFF

29 June 1984

32/54

(D)



DIRECTOR GENERAL OF MANAGEMENT AUDIT

LOOSE MINUTE

DGMA 345/84

29 June 1984

PS/S of S

Pls Dist (29. 6. 84):

PSD / Mr Levene

PS / HDS

✓ PS / CPR

Handwritten initials and date

Copy to:

PS/Minister(AF)

PS/Minister(DP)

PS/US of S(AF)

PS/US of S(DP)

PSO/CDS *PS/PDS ✓*

Sec/CNS

MA/CGS

PS/CAS

MA/VCDS(P&L)

PS/CDP

PS/CSA

PS/2nd PUS

CERN

VCAS

DGI

DUS(P)

DUS(CM)

DUS(FB)

DUS(N)

DUS(Army)

DUS(Air)

DUS(Pol)PE

DUS(PL)

DGMA

DEFENCE REORGANISATION : WHITE PAPER

1. I now attach a third draft of the White Paper on defence reorganisation which reflects the points which the Secretary of State asked should be included together with some refinement of the existing material.
2. There is still one square bracket to Section 9 around the Chairmanship of the new Equipment Policy Committee.
3. On savings, the draft includes (para 3.7) figures for 3 and 2-star posts and the sentence S of S proposed to cover the position at lower level. As PUS has explained, an urgent exercise is in hand aimed at identifying the scope for one star savings in time for S of S's statement when the White Paper is published.

Handwritten signature

M J V BELL

DGMA

NH 621 4096 MB

Enc

THE CENTRAL ORGANISATION FOR DEFENCE

I - INTRODUCTION

1.1 It is almost exactly 21 years since the publication of "The Central Organisation for Defence" (Cmnd 2097) announcing the setting up of a unified Ministry of Defence. Since 1963 the organisation has been the subject of several reviews and a number of changes have taken place, notably the incorporation into the Ministry in 1972 of the defence functions of the then Ministry of Aviation Supply. The Government believes that it is now timely to assess again the way the Central Organisation has evolved and to make proposals for developing it further to meet the challenge of today's circumstances.

1.2 In March of this year the Secretary of State for Defence published a consultative document, "MINIS and the Development of the Organisation for Defence" (Defence Open Government Document 84/3) which included outline proposals for the future higher organisation of the Ministry of Defence based on Ministerial scrutiny of this area using the new MINIS management information system. This has stimulated public debate and comment which has been of great value in the development of the plans outlined in this White Paper.

1.3 In parallel with this review of the central structure, an examination of the efficiency of the defence procurement process has also been set in train, with the assistance of a number of senior industrialists.

II - CONTEXT

2.1 The Government continues to give high priority to strengthening the nation's defences. Substantial real increases in resources have been allocated to defence and considerable emphasis has been placed upon maintaining the morale of the Armed Services and their confidence about their future. Each of the three fighting Services continues to have a unique and vital part to play in the nation's defence. The Government is determined to uphold the leadership, loyalties and traditions which are essential to the morale of the individual Services and their fighting capability. This country's experience of modern warfare, most recently in the Falklands Campaign, has progressively demonstrated, however, the need for the Services to be equipped and trained to fight together. As technology has advanced and defence costs have risen, the interdependence of the Services, both with each other and with the forces of our Allies, is assuming greater significance. At the heart of the present review, therefore, has been the recognition that future policy for each Service must be shaped increasingly within a common defence framework.

2.2 In addition the Government is concerned to achieve the best possible value in defence terms from the resources devoted to defence. While these are substantial and increasing, developments in the potential threat to the security of the nation and changes in technology pose a major challenge for defence planning. Central machinery is needed to arrive at the best defence wide solutions, and the right management organisation is required to carry them through.

2.3 The full value of increased resources must be translated into increased fighting effectiveness, and not into unnecessary overheads and bureaucracy. Overlap between responsibilities must be avoided and the maximum delegation of management authority from headquarters down clear lines of accountability to Commands and outstations must be achieved. It is the intention to develop a system of Executive Responsibility Budgets on an extensive scale across the support area to provide the framework for this increased delegation, in accordance with the principles of the Government's Financial Management Initiative.

2.4 In procurement, there must be increased competition for defence contracts, and a more effective relationship with industry to achieve better value for money for the tax payer. Placing more responsibility upon industry for the execution of projects will enable the Ministry to make better use of its resources and encourage the development of a broader, more self-reliant and free-standing industrial base.

2.5 The Ministry of Defence must at all times be fully capable of fulfilling its operational role. Throughout this central review and MINIS in general, considerable attention has been given to maintaining the capacity to respond quickly and effectively to operational demands. Proposals for change have been framed accordingly.

III - FUNDAMENTALS OF HIGHER ORGANISATION

3.1. Under the control and direction of the Secretary of State for Defence, the Ministry of Defence must ensure effective coordination of all policy and administrative matters affecting the fighting Services. Major questions of defence policy will continue to be dealt with by the Defence and Oversea Policy Committee of the Cabinet which is chaired by the Prime Minister and includes senior Ministers whose responsibilities relate amongst other things to defence. The Chief of the Defence Staff will attend as required, as will the Chiefs of Staff when necessary.

3.2 Under the Secretary of State, the Defence Council will continue to exercise the prerogative powers of command and administrative control passed to it by Letters Patent in 1964, and the statutory powers given under the Defence (Transfer of Functions) Act 1964. It will consist of: The Secretary of State for Defence and his Ministers, the Chief of the Defence Staff (CDS), the three single Service Chiefs of Staff, the Permanent

Under Secretary of State (PUS), the Chief Scientific Adviser (CSA), the Chief of Defence Procurement (CDP), the Vice Chief of the Defence Staff and the Second Permanent Under Secretary. The position of the Service Boards of the Defence Council will remain unchanged.

3.3 In 1981, two new Ministers of State were appointed, one responsible for the Armed Forces and the other for Defence Procurement, each supported by a Parliamentary Secretary. This Ministerial structure was introduced to strengthen political direction and to allow Ministers to carry greater functional responsibilities, thus emphasising the defence as against the single-Service responsibilities of the Ministry. The Secretary of State for Defence will continue to be assisted at Ministerial level on this basis. He will continue to be advised by other members of the Defence Council. His principal official advisers will be CDS and PUS.

3.4 CDS will, as now, be the Government's principal military adviser. His main responsibilities will include:

- a. tendering military advice on strategy, forward policy, overall priorities, programmes, current commitments and operations. In his advice he will take into account the views of the Chiefs of Staff and ensure that they are properly reflected;

b. the planning, direction and conduct of all national military operations, including the issue of relevant operational directives;

c. directing the work of the Defence Staff (see Section IV below).

He will continue to chair the Chiefs of Staff Committee.

3.5 The PUS is permanent Head of the Department and principal Accounting Officer. His responsibilities will include:

a. the organisation and efficiency of the Ministry including the management of all civilian staff, the coordination of its business, and establishment of such machinery as may be necessary for this purpose;

b. the long term financial planning and budgetary control of the defence programme, the associated allocation of resources, and the proper scrutiny of the requirement for all proposals with expenditure implications;

c. advice on the political and parliamentary aspects of the Ministry's work and relations with other Government Departments.

3.6 The Service Chiefs of Staff will continue as the

professional heads of their Services and as members of the Chiefs of Staff Committee. They will remain fully responsible for the fighting effectiveness, management, overall efficiency and morale of their Services, They will in future normally report and tender advice through the CDS to the Secretary of State while retaining their right of direct access to him and the Prime Minister. Management of the Services will be exercised through Service Executive Committees, chaired by the Chief of Staff, as sub-committees of the Service Boards (see Section VI below).

3.7 Following its review, the Government has decided to make changes in the structure of the Ministry which will enable it more efficiently to carry out its complementary functions of Department of State and Headquarters of the Armed Services. The main elements of the new organisation are set out in the Annex and are described below. These changes will enable immediate savings to be made in both military and civilian senior posts amounting to four 3-star and five 2-star posts, representing some 29% and 15% respectively of the number of such staffs directly affected. As arrangements for the supporting detailed management at lower levels are completed it is the intention to carry through the savings now identified at senior levels. The opportunity is being taken wherever possible to bring together Service, administrative, scientific and other specialist staffs whilst ensuring that the necessary professional advice is properly reflected in decisions taken at a senior level.

IV - THE DEFENCE STAFF

4.1 A new unified Defence Staff will be established. Its essential role will be, in the words of the 1963 White Paper, "the corporate duty of finding the best solution to the problems of the day, whether of an operational nature, strategic planning, defence policy or equipment priorities".

4.2 The Defence Staff will include the functions of the existing central military staffs and the greater part of the present Naval, General and Air Staffs reporting to the Service Vice Chiefs of Staff. These latter posts will lapse. It will also contain secretariat and scientific staffs. Responsibility for directing the work of the Defence Staff will in general rest with CDS who will be responsible specifically for all military aspects of its work, including in particular the direction of military operations. The Defence Staff will be responsible to PUS for the political and parliamentary aspects of its work and coordination with other Government Departments.

4.3 Day to day direction of the Defence Staff will be undertaken by a Vice Chief of Defence Staff (VCDS) at 4-star level. He will act in all respects as Chief of Staff to CDS. He will be a member of the Chiefs of Staff Committee and of the Defence Council.

4.4 The structure of the new Defence Staff provides for four groupings:

a. a Strategy and Policy grouping, headed by a Deputy Secretary, consisting of both military and civilian staffs. It will be organised so as to provide an enhanced capability for long term thinking covering the strategic, political and operational aspects of both conventional and nuclear deterrence. The present arrangements for the command, control and maintenance of the strategic nuclear deterrent will not be affected.

b. a Programmes and Personnel grouping, headed by a Service Deputy Chief of Defence Staff (DCDS) at 3-star level. This grouping will be charged with determining military priorities in the allocation of resources and include both a central capability to address programmes on a defence wide basis and single-Service Directorates. It will also provide central coordination of Service personnel matters, including the medical services (see paragraph 4.6 below). The post of VCDS(Personnel and Logistics) will lapse.

c. a Systems grouping, headed by a DCDS at 3-star level, responsible for the formulation of operational concepts, the determination and sponsorship of operational requirements for equipment, and setting the aims of the

military research programme. This grouping will bring together all the staffs of the present Service operational requirements organisations, and those in the present central staffs, together with integral scientific support. It will also deal with Command, Control, Communications and Information Systems on a defence wide basis. The operational requirements staffs will be organised initially on a systems basis - sea, land and air. This, coupled with the creation of a strengthened central concepts staff, represents a significant step forward in the evolutionary process of making procurement decisions on a defence wide basis; further progress in this direction is likely as experience of the new arrangements grows;

d. a Commitments grouping, headed by a DCDS and organised on a geographical basis. This grouping will formulate policy for defence commitments, including joint and single Service plans for operational deployments and transition to war, and issue directives for operations and major exercises. It will include a strengthened capability for central logistics and movements planning. The grouping will bring together the present central military and secretariat staffs concerned with these matters.

4.5 The new organisation preserves the separate identity of the Defence Intelligence Staff which, following MINIS examination

earlier this year, will be restructured and streamlined under a 3-star Chief of Defence Intelligence, reporting to CDS and PUS.

4.6 The Government is now considering in detail the first report from Sir Henry Yellowlees of his review of the Defence Medical Services. The Government is firmly committed to the continuance of three uniformed medical Corps at Command level and below, but has accepted in principle the major recommendation of the report that the defence medical services should be organised under a single unified headquarters in the Ministry. The new unified Medical Services Directorate will be part of the Defence Staff, to be headed by a Surgeon General (of 3-star rank) reporting to the DCDS (Programmes and Personnel).

4.7 Since 1963 much has been achieved in rationalising Service support and logistics functions. For example, some 23 separate ranges of stores embracing 25% of the Defence inventory are managed by one Service on behalf of all three. Renewed attention is being given to this area. In addition to the above changes affecting the defence medical services, new arrangements are being introduced to provide rationalised facilities for catering, music and languages training. These successes need to be built upon, and opportunities for increased efficiency, economy and value for money pursued vigorously.

V - ARMS CONTROL

5.1 In line with the importance which the Government attaches to realistic and verifiable arms control a new Defence Arms Control Unit (DACU) will be established to strengthen the Ministry's capabilities in this area. It will be separate from the Defence Staff and will be directly responsible to PUS. It will concentrate existing military and civilian arms control expertise within the MOD. It will include a policy review section charged with fostering and maintaining close links with academic and other outside bodies.

VI - SINGLE SERVICE HEADQUARTERS ORGANISATION

6.1 The Ministry of Defence will continue to contain the Headquarters of the three Armed Services. As the professional head of his Service, each Service Chief of Staff will be the senior adviser to CDS and, through him, to the Secretary of State on matters related to employment of his Service and its current and future effectiveness. Detailed management of the Services will be exercised through Service Executive Committees, in accordance with policy directives and budgets for main areas of expenditure determined centrally in consultation with the single Services. To ensure the necessary linkage between policy making and management, the single-Service Chiefs of Staff will have access to the Defence Staff who, in common with other parts of

the Ministry, will be responsive to their needs. Each Service Chief of Staff will have sufficient single Service staff to enable him to direct the work of his Service, including that of the Principal Personnel Officer and Principal Administrative Officer and their staffs.

6.2 A high priority of the three Service Executive Committees will be to continue the work they already have in hand to streamline their area. This will include further delegation, where practicable, of authority for day-to-day administration to Commanders in Chief. Further steps will be taken to strengthen the fighting elements of the Services by transferring resources to the front-line from savings in the training and support areas and in the chain of command (such as the Army's exercise SHARP SWORD) as described in the recent Statement on the Defence Estimates (Cmnd 9227).

VII - DEFENCE SCIENCE

7.1 The present scientific staffs in the Ministry provide, through a complex system of cross-reporting, support for the Chief Scientific Adviser, for the individual Services and for the Controller R&D Establishments, Research and Nuclear (CERN). In an increasingly technological environment it is essential that the best scientific advice is available to inform the whole range of defence decisions. In recognition of this, it has been

decided to reorganise the scientific staffs so as to make better use of their expertise, clarify lines of responsibility and end split reporting.

7.2 The Chief Scientific Adviser (CSA) will be responsible to the Secretary of State through PUS and will have a small staff to provide the necessary capability for independent long term thinking and scrutiny, and to allow central management of operational analysis work, including that currently carried out by the three Service Chief Scientists, whose posts will lapse. Scientific staff will also be deployed within the Defence Staff to ensure that constructive relationships between the relevant staffs are maintained and developed, particularly in the Systems area. These staff will be professionally accountable to the CSA.

7.3 The structure of the organisation under CERN is also being streamlined. Taken together with the above changes, this will allow a reduction in the number of senior scientific posts.

VIII - OFFICE OF MANAGEMENT AND BUDGET

8.1 The Government wishes to see within the Ministry of Defence much stronger central determination of priorities for expenditure and control of resource allocations. To assist this process the PUS's responsibility for long term financial planning and allocation and for the scrutiny and control of expenditure will in future be concentrated in an Office of Management and

Budget (OMB) under the Second Permanent Secretary. Under this arrangement the present three Deputy Secretary posts covering single Service areas will lapse.

8.2 Under the 2nd PUS the OMB will cover the following four main areas of work, each supervised by a Deputy Secretary:

a. Resources and Programmes This grouping will be responsible for coordinating the Ministry's annual long term costing, including the issue of assumptions in accordance with priorities developed in conjunction with the Defence Staff, and for the Ministry's contribution to the Government's Public Expenditure Survey.

Major proposals for expenditure including new equipment programmes will be scrutinised by the OMB on behalf of PUS.

b. Finance This grouping will be headed by the Principal Finance Officer (PFO) and be responsible for the Ministry's financial management, including cost control and accounts and matters of parliamentary accountability and propriety. All senior staff in the Ministry with financial duties will have a responsibility to the PFO. One of the major tasks of these finance staffs will be the development of the system of Executive Responsibility Budgets across the support area;

c. Administration The Deputy Secretary (Administration) will have important functions, currently undertaken by the single Service Deputy Secretaries, in supervising and directing financial and secretariat aspects of single Service personnel and logistics work. In addition this grouping will exercise central responsibility for the financial scrutiny of expenditure proposals in the area of Service pay and conditions of service and related matters and will deal with Defence lands, claims, and health and safety policy;

d. Civilian Management This grouping will be headed by the Ministry's Principal Establishment Officer. It will be responsible for civilian personnel management, training and conditions, industrial relations and a variety of other support functions, including headquarters security and office services. Consideration is being given to changes in this area designed to allow delegation of personnel management responsibilities for civilian staff to line management.

8.3 An important task of the OMB will be the provision of a central capability for inspection and audit of defence activities. This will include work designed to further, where appropriate, rationalisation and standardisation between the three Services and other parts of the Ministry.

8.4 The primary objective of the OMB will thus be to achieve stronger control over the Ministry's corporate financial planning, the commitment of resources, and the financial and management systems which the Ministry follows throughout its work. It will aim to provide a constructive service to all levels of management and will be organised to allow the closest relationships between its staff and those of the Defence Staff, Service headquarters staffs and other parts of the Ministry. 2nd PUS will be a member of the Defence Council, and each Service Board and Executive Committee. PUS will continue to chair the Financial Planning and Management Group which brings together at a senior level those principally concerned with these subjects in the Ministry, including the Chiefs of Staff.

IX - EQUIPMENT APPROVAL PROCEDURES

9.1 The establishment of the new Defence Staff and OMB will allow the central equipment committee structure and procedures to be streamlined. There will be a single Equipment Policy Committee chaired by the [Chief Scientific Adviser]/[Vice Chief of Defence Staff], to advise Ministers and Chiefs of Staff. The Committee will advise on the equipment production and development programme, and the balance of equipment investment, so as to ensure that they are matched to operational requirements, resources, defence policy, industrial and sales considerations, and technical feasibility. Membership of the Committee will reflect these interests as appropriate and other Government

Departments will have the opportunity to attend meetings as necessary. The new Committee will replace the present Defence Equipment Policy Committee and Operational Requirements Committee and will be supported by sub-Committees dealing with individual areas of the equipment programme.

X - MANAGING DEFENCE PROCUREMENT

10.1 The centralised Procurement Executive management structure established in 1972 remains basically sound. The review carried out within the Ministry with the assistance of Mr Peter Levene, the Personal Adviser to the Secretary of State for Defence, and other senior industrialists has confirmed that improvements should be sought in the way procurement is conducted. Expenditure on equipment accounts for approximately 46% of the defence budget, and is expected to amount to some £7,800 million in the present year. Better value for money needs to be sought, both from British industry, of which the Ministry is the single largest customer, and elsewhere, in particular through the important collaborative and co-production arrangements made with our Allies.

10.2 The Government's policy is that better value can be obtained from the private sector through more extensive and effective competition in the supply of defence equipment. It also believes that only certain essential activities need be

retained within the public sector. Subject to legislation now before Parliament, the Government intends to transfer the Royal Ordnance Factories to Companies Act status, and as soon as possible thereafter involve private capital, so that this important national asset will be better able to develop its business on a fully commercial basis. Steady progress has been made in recent years in the disengagement of the Procurement Executive from activities more appropriate to the supplier than the customer. In line with this policy, the direct quality assurance oversight of defence contractors has been very considerably reduced, and more design and development work is now being done in industry rather than in the Ministry's own R&D Establishments. These trends will continue. More emphasis is being placed on the use of performance (or Cardinal Points) specifications when stating equipment needs, thus permitting industry to contribute more positively to the design of new equipment with a view to a better product both for the Armed Services and for the needs of the export market.

10.3 This general approach must be sustained by changes of attitude and emphasis within the Ministry itself. The undoubted commercial awareness and professionalism amongst those responsible for defence purchasing must be fully harnessed if the full potential from the greater emphasis on competition is to be realised. Greatly increased stress will be placed in future on the contribution which the commercial expertise of the Ministry's contracts staff can make in achieving better value for money for

the taxpayer and the defence budget. In the vital area of project management, project leaders need to be supported by balanced teams reflecting the various disciplines required; they must be given clear authority to match their responsibilities, and the necessary incentives to exercise judgement in achieving better value for money consistent with the basic objectives of the tasks they have been set. Throughout the Ministry it is the intention to develop interchanges of staff at different levels with the private sector, in order to develop mutual understanding, and in particular to give Ministry staff direct experience of business practice.

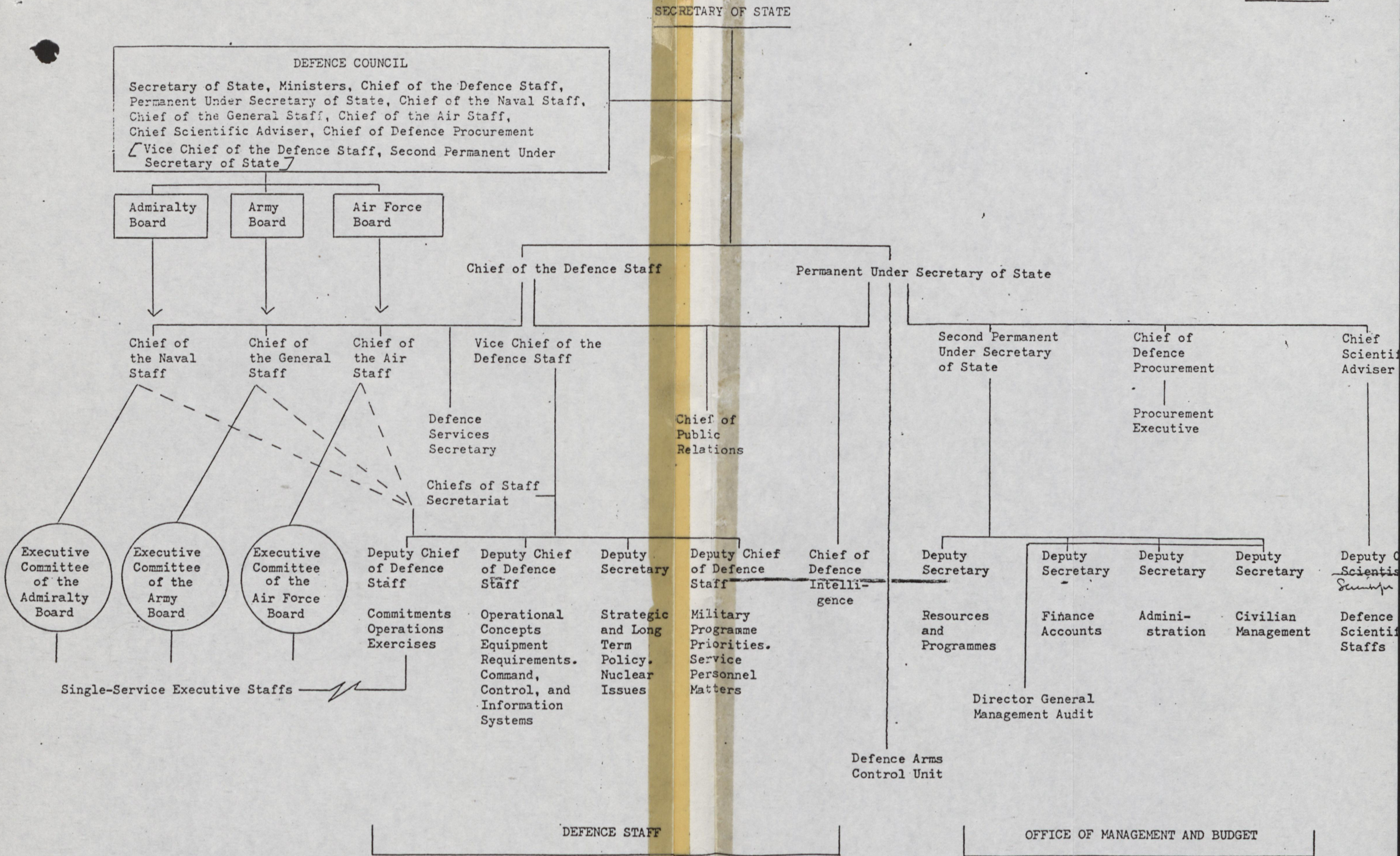
10.4 Support and maintenance costs form a very considerable part of equipment expenditure and it is therefore essential that they be recognised as an indivisible element of the procurement process. The Government intends to consider further the boundaries between the Service support organisations and the procurement staffs to see whether, on a case by case basis, there is a need for change.

XI - IMPLEMENTATION

11.1 The new structure described above will come into effect on 2nd January 1985: steps will, however, be taken to form the Defence Arms Control Unit in advance of that date. Every opportunity will be taken to co-locate staffs so as to facilitate the necessary close working relationship between the main

elements of the organisation. New practices and procedures will be required and it is to be expected that further refinement of the new organisation will be needed over the next year or so leading to additional staff savings. Account will also be taken, as necessary, of work in hand to improve equipment procurement practices and associated organisational arrangements as described above in order to ensure maximum value for money in defence procurement.

11.2 These changes represent a substantial further step in the progress towards a more integrated and coherent higher defence organisation. But it must not be supposed that there are no further advances to be made. There is much to be done, for example, in delegating work outside the Ministry's headquarters. The Government will continue to seek improvements, wherever possible, in the efficiency of defence organisation and management.



Note:

1. Single Service Chiefs of Staff have access to staffs of Vice Chief of Defence Staff, Chief of Defence Intelligence and Chief of Public Relations

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Copy to:

Minister (AF)	CERN
Minister (DP)	VCAS
USofS (AF)	DGI
USofS (DP)	DUS (P)
CDS	DUS (CM)
CNS	DUS (FB)
CGS	DUS (N)
CAS	DUS (Army)
VCDS (P&L)	DUS (Air)
CDP	DUS (Pol) (PE)
CSA	DUS (PL)
2nd PUS	DGMA

MO 20/27

PUS

DEFENCE ORGANISATION - FURTHER WORK ON THE OVERALL MODEL

Thank you for your minute of 22nd June which we discussed with my Ministerial colleagues, the Chiefs of Staff, and others concerned on Tuesday. Since then I have given further thought to the points which were made at that meeting and it may be helpful if I set out how I intend that we should now finalise the organisation in the areas addressed in your minute.

2. On the points in your paragraphs 3 and 4, I am content with the proposed reporting lines of CPR. I would like the Head of DACU to report directly to you: I agree that the post should be at one star level. I attach importance to the point raised by Minister (AF) about the extent of the integration of the military and civilian staff in the DACU and I should like to see the structure now proposed.

Position of VCDS

3. We discussed the position of the VCDS in relation to the Chiefs of Staff. I am in favour of a post at the 4 star level recognising the importance of the role of the VCDS, under the CDS, in providing central direction in the defence staff area. I wish the VCDS to be a member of the Chiefs of Staff Committee at all times. Where there is a requirement to appoint an acting CDS because CDS is out of the country over a prolonged period, all of the other members of the Committee (including the VCDS) would be eligible for appointment. CDS would, as at present, consult the Secretary of State over the matter.



DCDS Systems area

4. On the DCDS (Systems) area, I wish to proceed as follows:

a. In the OR area, I wish to introduce from the beginning of the new organisation the structure based upon 3 ACDSs with sea, land and air systems responsibilities in Annex A to your minute. As I explained at our meeting my own preference would have been to have gone further from the outset by introducing at the 2 star level a 2-ACDS structure with an appropriate division of responsibilities, probably on the basis of a sea-air and a land-air division. In the light of the very strong advice that I have been given that there is insufficient time available to introduce such a structure without risking disruption in an area of crucial importance, I am content to postpone this change until the new organisation has had time to "bed down". I intend therefore to return to this matter in the autumn of next year.

b. I should welcome further advice on the structure in the defence communications/signals area. The absence of any reference to signals staff in the single-Service areas in Annex E to your minute implies that signals staff are to be brought together on a defence-wide basis but I understand that this may not be the case. I wish to be satisfied that the maximum scope for rationalisation and for securing a defence-wide approach is being pursued in this as in other areas.

c. I recognise the case for providing scientific advice bedded out in the defence staff. The definition and management of a timely programme of studies in support of the defence staff and of the Ministry as a whole is, however, a task for CSA and I also attach importance to the independence of judgement of the scientific staff concerned. I should therefore prefer the alternative proposal in your minute that an ACSA(S) should be provided under CSA and DCSA: ACSA(S) will provide the 2-star



level scientific input into the work of the DCDS Systems area as well as exercising an across the board responsibility for the provision of operational analysis. On a subsidiary point, I hope that in due course a look can be taken at the provision of scientific support in the personnel research and human factors areas to ensure that we are making the best defence-wide use of the available resources.

DUS(RP)

5. In the DUS(RP) area, I am content to accept a structure with 3 AUS level posts on the lines of Annex B to your minute.

DCDS(Commitments)

6. In the Commitments area, I accept the importance of the role played by civilian staff in support of Ministers in ensuring that proper weight is given to political and Parliamentary considerations in what can be an extremely sensitive area. I believe, however, that this can be provided by the provision of civilian staff at the appropriate levels in the Commitments area reporting to the 3 ACDS posts there, but with a dotted-line responsibility to the AUS(Pol) post under DUS(Policy). I see both of these latter posts having a "roving commission" on secretariat matters across the defence staff as a whole. We discussed at our meeting the conclusion in paragraph 30 of your minute that the Steering Group can see no scope for combining military and civilian responsibilities in this area. We agreed that we should look quickly at the structure in the Commitments area at the one star level and below to establish the feasibility of a more integrated approach. We recognised that this work would need to be completed by not later than the end of July. I suggest we proceed by drawing up alternative structures on the basis of the Steering Group's preferred option and the alternative approach of mixed groups of military and civilian staff headed up as appropriate by military or civilian directors at the one star level. The allocation of posts would obviously need to take account of the balance



of military and civilian supervisory effort across the Commitments organisation as a whole.

Defence Statistics

7. I myself believe that the balance of advantage in the defence statistics area lies in placing statistical services within the line management areas which they serve. I should like a revised structure in three main divisions perhaps covering manpower, budget/equipment and "systems development" with other bedding out as appropriate (for example in the medical area). I recognise the requirement for a "head of profession" within the MOD who can ensure the maintenance of standards and provide a focal point for the interests of the professional staff concerned. I do not believe, however, that this need be at AUS level and I would see it being provided in the future by so designating one of the posts at Head of Division Level in the line management areas and grading this post at 1½ stars.

Service Personnel and Administration

8. In the service personnel and administration area, I suggested a structure under which the ACDS(Pers) would report to the DUS(Administration), the ACDS(Prog) would report to the VCDS, and the post of DCDS(Programmes and Personnel) would lapse. It has been strongly represented that this would blur the distinction between the defence staff function of stating requirements in the Service personnel field in order to provide the manpower needed to fulfil our commitments and the scrutiny function which belongs to the OMB. The importance has also been stressed of providing high level supervision in the programmes area. In the light of this, I should be prepared to accept an alternative approach under which the DCDS(Programmes and Personnel) post would remain as would the ACDS(Prog) but, under the DCDS, advice in the defence staff area on personnel would be provided by a one star officer.



DUS (CM)

9. I am content for the DUS (CM) to be included in the OMB: I should wish to look at the detailed structure of his organisation in due course.

Single-Service HQ Organisation

10. In the discussions we have had about the detail of the new structure, the single-Service Chiefs of Staff have represented to me that they need appropriate staffs to enable them to carry out their responsibility for the efficiency and morale of their Services and to ensure that they have full and effective access to the central military staffs. In essence, I have been persuaded by the arguments that have been deployed by the single-Service Chiefs of Staff and I accept the proposed structure set out in Annexes A and D to your minute, with the two small provisos which were discussed at the meeting with the Chiefs of Staff on Tuesday. I accept the case for 2 two-star posts in the Army area, but I should prefer the second post to be responsible for the Territorial Army and Cadets, to be designated as such and to be supported at Colonel rather than Brigadier level. (The organisation as a whole for Reserve matters may need further refinement to take account of the concerns of US of S(AF), which I shall be discussing with him shortly). Under the other ACGS post, there would be a supporting structure of three 1-star level posts including the proposed civilian-headed division, and I would envisage a similar structure under the ACNS and ACAS posts.

Implementation

11. CDS has represented strongly the case for a later date than the present target of 2nd January. As I said at our meeting, I am sure that we can meet the present date provided that we now move quickly to appoint those who are to hold the senior positions in the new organisation and they then set to work in planning detailed implementation in their areas.



12. I should welcome your advice on how it is proposed to tackle the next phase of work.

V. M. M.

[Approved by the Secretary of State
29th June 1984 and signed in his absence]

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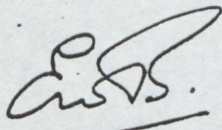
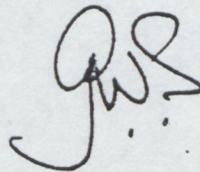
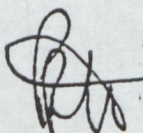
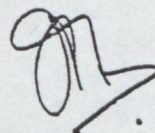
SECRETARY OF STATE

We know that you intend to discuss the proposals for reorganisation of the department with your staffs on 15 June.

You will know that we have been at great pains to assist the Steering Group (of which CDS and CNS are also members) in the preparation of the model which PUS is submitting to you and which we believe is the best which can be devised within the remit you have given us.

Nevertheless you should realise that we all share some very severe misgivings about the exercise as a whole, and although we will be outlining some of these reservations to you at our meeting, we feel it is only fair that we should put our overall views to you in writing now, so that you may have prior notice of them and will not be caught unawares by the depth of our feelings.

We would therefore ask you to read the attached note in parallel with the submission which accompanies the model. We have deliberately given this a very limited distribution but if you wish to show it to your Ministerial colleagues, we would, of course, have no objection.


CHIEF OF THE DEFENCE STAFF

CHIEF OF THE GENERAL STAFF

CHIEF OF THE AIR STAFF

CHIEF OF THE NAVAL STAFF13 June 1984

CHIEFS OF STAFF COMMENTARY ON REORGANISATION EXERCISE -
NOTE TO SECRETARY OF STATE

Introduction

1. You should have no doubt that the Chiefs of Staff have entered, with the utmost energy and determination, into the extremely rushed exercise of trying, in a couple of months, to design an effective organisation for Higher Defence which both meets the broad requirements of your base document and offers at least the prospect of some savings.

2. None of your senior advisers were, of course, taken into your full confidence before you launched your "consultative" document; and CDS, who was let into your thinking at the last moment did, you will remember, express considerable reservations and misgivings about it, based on his prolonged experience of Defence organisation going back some 20 years to the Mountbatten era.

3. At the same time, perhaps because of that experience of change, and the frequently hostile reaction to it, we were quick to recognise that we could not say with any conviction whether your interesting ideas would work better or, at least, as well and more economically than the present arrangements, until we had studied them carefully, with all the authority of the Chiefs of Staff and our senior civil colleagues behind that investigation. This we were all determined to do, for we recognised that you had touched on a number of apparent anomalies, duplication and over tiered structures which if corrected might, with advantage, provide the opportunity to streamline the organisation to the benefit of the "sharp end". Although it always had to be recognised that the correction of any one weakness and shortcoming which, over the years, had manifested itself for some

definable reason, could well throw up something else equally irritating; and that, in any case, with problems as intractable as those of Defence, any changes in organisation would be likely to make only marginal improvements in efficiency. It was the people in the organisation and the way they used it, that was likely to be far more important for progress and efficiency than any structural changes. Jacob and Ismay - the 'two wise men' who studied the problem before the Mountbatten Review were the first to recognise this.

Task set us

4. In practice, as we soon discovered, you had set us a task to which we could not do full justice in such a short time. Because the exercise had to be conducted at a furious pace (in addition to all the other important work which was and ought to be going on), there has been no proper time for deep thought and exploration. Moreover the sheer load of work in the DOS has been such that consideration of important subordinate areas had to be contracted out to those areas themselves. This has meant that many of the subordinate papers which should have given support and depth to the Steering Group's deliberations and progressive guidance, needed far longer scrutiny and discussion than it has been possible to give them. Equally the Steering Group itself was faced, in practice, with the difficulty of either trying to develop an organisation which came as near as possible to your base document, and incorporated each and every one of its particular and sometimes conflicting stipulations; or alternatively, of trying to produce some definite practical enhancements and even a little pruning and streamlining, but without necessarily meeting all your requirements or aspirations.

Response to that Task

5. However, we are now in a position to offer you something which could be made to work and meets, we believe, most of your main requirements. We are also in a position to advise you on the areas of these proposals in which we think there could be real benefit, by some strengthening of our central machinery to embrace all the main policy functions which properly lie in the Centre. Although we must point out that the strengthening of the Centre will not immediately and automatically bring about a large reduction in numbers. This is much more likely to come about, satisfactorily, by recasting methods of staff work and reducing the number of tiers through which Principals receive their advice, rather than by the mere moving of functions and decision making from one area to another. But such an exercise will, for reasons we have explained, take considerably longer to complete.

6. We are also in a position to set out, in some detail, the reasons why we think certain parts of these proposals, would work less well, and would not necessarily even meet your overall objectives. This is because they would tend to weaken the Chiefs of Staff's ability to exercise their responsibilities for leadership and efficiency in their own Services, which you want to maintain; would blur lines of responsibility, which you want to clarify; and could both dilute professional standards of expertise and, in weaponry and programming, encourage the wrong sort of compromise at the wrong level, neither of which you would want.

Positive Factors

7. We consider you are right in insisting that the Centre, under your direction, must be able to have full control of strategy, policy, allocation of resources and, with this, the overall design of the size and shape of the individual Services and also the ability to undertake comprehensive crisis management and the control of all operations through, where necessary, a Commander-in-Chief: We therefore believe there are no insurmountable problems over enhancing, without adding significantly to numbers, the Central Commitments Staff (Operations - Plans - Current Policy) so as to provide CDS and, through him, you, the best staff arrangements for that crisis management and for the conduct of operations other than those specifically delegated. Any staff additions, over and above what is now a very small staff, could be more than compensated for by savings in the Operations and Policy Staffs of the Service Departments. In this enhanced Commitments staff, we have also taken the precaution of incorporating Logistic and Movement staffs relating to deployment and operations, and we think this is a distinct improvement. There should also be some advantage in more closely integrating, and particularly collocating, the Defence Secretariat branches dealing with geographical areas (NATO - Rest of the World) and with current policy matters for those areas with the appropriate Commitments Staff, thus giving some scope for savings.

8. An organisation has also been designed which, in accordance with your wishes, does bring into the Centre the responsibilities for Policy (including Strategy and Nuclear), for all resource allocation and broad programme design, for concepts and systems requirements,

and for those aspects of personnel management support and administration which are, of necessity, a joint and tri-Service matter. This has led to our design of four main divisions (Policy, Commitments, Programmes (including Personnel etc) and Systems) of which the first we feel should be headed by a civilian DUS and the rest by military men of equivalent rank. All this would produce some modest savings.

Critical Factors

9. However, even with this recommended solution, which is the best the Steering Group can devise to meet your stated requirements, we still have two major and fundamental reservations, which if they are not heeded would give cause for widespread and, in our opinion justifiable, criticism.

10. First of all, we are convinced that the whole concept of an OMB, if it is intended to embrace all the Defence Secretariat branches dealing with Size and Shape and Resources, as well as Management and Budget, would not be in the interests of Defence business. Far from abolishing parallel hierarchies and duplication of civil and military advice, which is your declared intention, this would inevitably create a new and potentially divisive hierarchy which would be bound to divorce the military from the Secretariat at a crucial stage in the evolution of Policy, and would invoke memories of the unsatisfactory system prevalent in the Old War Office a quarter of a Century ago. Tension there could well be, but it would, we suggest, be neither creative, helpful nor in the right place. The creative work on a programme, if it is to be coherent, relevant, manageable and match resources ought, we believe, to be done from the outset, with military experts in all

specialities, working in close consultation, and preferably collocated, with their Size and Shape civilian colleagues, as is proposed in the much more sensible integration of the civil and military staffs on the Commitments side. Appropriate and useful creative tension could then still come about during the vital central scrutiny by DCDS (Programmes), DUS(Policy) and DUS(Finance & Budget), at the Chiefs of Staff Committee, and particularly at the Financial Planning and Management Group chaired by PUS and which 2nd PUS should certainly now attend. All the experience of the Canadian organisation is that parallel civilian and military hierarchies have wrecked military/civilian relationships and caused far more acrimony and friction than was ever caused by inter-Service bickering.

11. Secondly, we are concerned that, if your proposals are carried out too literally, they will in a number of ways, some significant in themselves and others more subtle, undermine the position of the individual Chiefs of Staff as professional heads of their Service and their ability to discharge their responsibilities, which the base document also lays upon them, for the 'total efficiency and morale' of their Services. The Falklands Campaign graphically illustrated the importance of the long established principle that those who give professional advice (albeit through CDS), relating to the capability and usage of individual and very different Services, must feel themselves responsible and accountable for that advice and for what goes on in that Service, in the way of equipping it, training it and its technical and tactical expertise. Otherwise you will get the worst possible mis-match of responsibility without the power to influence policy and/or the power to suggest bright ideas with no real responsibility for seeing they are carried

out effectively. This applies equally to overloading the Central Staffs at the expense of those who work for the individual Chiefs. The Falklands Campaign was, after all, only made possible by general War Cabinet acceptance that when the First Sea Lord told the Prime Minister that we could sail a Fleet within 5 days, which could then look after itself in battle come what may, he had some real basis for saying that because he himself and his predecessors, in continuity, had been responsible for developing such a Fleet and took entire responsibility for the way it performed.

12. We are sure that you would agree with all this, but the base document in places conflicts with this view. For, were you to remove from each Chief of Staff the opportunity to bring proper influence to bear on his own programme, in terms of coherence, balance and manageability within, of course, the parameters laid down by the Centre and subject to their scrutiny, and instead lump this main programming function, together with the responsibility for developing Operational Requirements, (however detailed), all in the Centre, you will inevitably blur lines of responsibility. There would then be a real danger that no one would any longer feel responsible for anything, other than the Secretary of State and CDS, who would undoubtedly find the scope and variety of expertise just too large to handle. Defence would then be in danger of becoming like a second British Leyland, over-centralised and with inadequate delegation of authority.

13. Moreover you cannot, as many have said before, divorce completely Policy from Management which is better devolved. The one is inevitably entwined with the other, and the Chiefs of Staff collective advice

to CDS is absolutely essential if he is to advise you over such a wide and complex field (much of it outside his immediate experience) and if Policy is to be developed on sound foundations. Moreover an individual Chief of Staff's advice is really of value, for the very reason that it is different and related to single Service realities, and is not a compromise (which you also rightly want to avoid); although in 9 cases out of 10 it is perfectly compatible with views of the other Chiefs, and entirely manageable within the context of the overriding advice and judgment given by CDS. Only in the case of the allocation of scarce and declining resources will it be virtually impossible for the Chiefs of Staff to give agreed advice, and this is where strong well informed Central Staffs and the overall judgment of CDS and PUS, are so very important. But ironically we have largely got that now. Real creative tension can only come after workable and thoroughly thought through options have been developed; that is between coherent manageable Service suggestions, based on deep expertise on the one hand, and on the other, Central and objective scrutiny with wider issues, including resources, very much in mind.

14. If the individual Chiefs of Staff are, therefore, to continue their proper functions of professional leadership and management of their Services in order to put a balanced force into the field and also provide expert advice to CDS, it is essential that:

a. They have adequate Executive Staffs of their own leaving operational and equipment policy matters and operational crisis management in the Centre, and devolving as much as possible, consistent with financial and political requirements

to Cs-in-C. If they do not have this staff, not only would the management and leadership of the Services suffer, but so will standards of expertise and professionalism. This again has been a repeated criticism of the Canadian system.

b. They must have a significant hand in the development of both operational requirements for their own Service and the balancing of their own Service programmes, leaving overall concepts, scrutiny and financial matching to be carried out firmly in the Centre.

c. They are provided with a Senior Staff Officer who can both represent them at the Chiefs of Staff Committee when they are away, and also on their behalf coordinate all executive staff functions which, in line with a and b above, must properly remain with each Service.

Conclusions

15. Taking all these things into consideration, we feel it is our duty to express strong misgivings, amounting to alarm, about some aspects of your proposals; even about some of those incorporated in the Steering Group's own recommended solution which has tried so hard to incorporate all your initial requirements. This, although just workable, would still have major weaknesses.

16. We know you yourself are pleased with the vast Spring clean and self analysis which you have initiated inside the Ministry, with everyone questioning every aspect of the present organisation and

trying to rethink the whole system; and we would agree that there are moments when this can be very useful. But we also have to tell you that in our opinion you have also done damage as well. You have cast, perhaps unintentionally, considerable doubt on the importance you attach to the Chiefs of Staff as professional heads of their Services, and by conspicuously, and most unusually, not consulting your Principal advisers until the last moment before launching your initiative, you have inevitably weakened their credibility and standing within the Armed Forces. Moreover, there is a real danger that your proposals will cause divisions to appear between military and civilian staffs in contrast with the excellent and constructive relationships which have developed over the last few years and today have never been better.

17. To summarise, therefore,

a. We see the following advantages in some aspects of the new system:

- (1) It is right to move strategy, high policy and resource allocation into the Centre.
- (2) Central control of operations is advantageous.
- (3) Closer integration and collocation of uniformed and civilian branches within the Defence Staff is welcome.

b. We see the following disadvantages:

- (1) The capability of the Chiefs of Staff to fulfil their responsibilities is diminished.
- (2) Lines of responsibility become blurred.
- (3) Professional standards and expertise are diluted.

(4) In some areas, decisions and compromise will be taken too early, and at the wrong level.

(5) Creation of OMB is potentially divisive as it separates the military and civilian staffs whose unity and increased integration is the most satisfactory aspect of the present system.

(6) Policy is too far removed from Management.

18. The new model, as it will be presented to you, could be made to work and we would loyally try to make it do so, but its implementation, if you insist on it, would produce an enormous upheaval and disruption throughout your Department. At the end of the day, you will be abandoning a proven system which has been working with increasing efficiency over the last few years, operated extremely well over the Falklands Campaign, and has shown a steady decline in numbers, for one which, we are convinced, will not serve you so efficiently. Moreover if the main reason for change is further staff reductions, we consider these would be just as likely to be obtained by sensible pruning and adjustments to the present organisation, which we believe, without major upheaval, can be made fully receptive to your requirements and methods of working.

PUS/V84/502
(32/54)

12th June, 1984.

SECRETARY OF STATE

Copies to:	Minister(AF)	CERN
	Minister(DP)	VCAS
	US of S(AF)	DGI
	US of S(DP)	DUS(P)
	CDS	DUS(CM)
	CNS	DUS(FB)
	CGS	DUS(N)
	CAS	DUS(Army)
	VCDS(P&L)	DUS(Air)
	CDP	DUS(Pol)(PE)
	CSA	DUS(PL)
	2nd PUS	DGMA

DEFENCE ORGANISATION: OVERALL MODEL

... You asked in your minute of 22nd May to see the Steering Group's proposals for the organisation of the restructured MOD down to 1-star level. Following on from the work I described to you in my minutes of 16th April and 21st May, we have now drawn up a 'model' for the new organisation which is summarised in the chart at Annex A. The salient features that I would draw to your attention are as follows.

Defence Staff

... 2. The new Defence Staff (Annexes B to E) would be structured broadly on the basis indicated in my minute of 16th April, but would also include a capability for operational logistics and movements planning, and for central co-ordination of Service personnel matters. As such, under CDS and myself, the Defence Staff would provide a service to Ministers, the Chiefs of Staff and other parts of the department as necessary.

3. While we have structured the organisation in part from 'single-Service building blocks' (in some cases up to the 1 or 2-star level), we have sought to ensure that the Defence Staff has the capability to form a defence view and find defence solutions. The structure - which embraces military and Defence Secretariat staff - provides for:

- a DUS(Policy) (Annex B), to cover the development of long-term defence strategy and policy; his staff

to include an ACDS(Policy and Nuclear) and an AUS(Policy); he would also superintend the DACU, although the unit would be separate from the Defence Staff, and provide 3-star Secretariat assistance as required to the Commitments area;

- a DCDS(Programmes and Personnel) (Annex C), to establish military priorities in the allocation of resources and to provide central co-ordination of Service personnel matters. He would be supported by an ACDS(Programmes) (with single-Service and tri-Service divisions at 1-star level) and an ACDS(Personnel) with responsibility for tri-Service aspects of personnel matters including manpower;

- a DCDS(Systems) (Annex D), to oversee the whole field of military concepts and operational requirements, including trunk communications. He would be supported by an ACDS(Concepts) and an ACDS(CIS), both tri-Service in orientation, plus three ACDSs dealing respectively with Sea, Land and Air equipment (the latter organisations, in the interests of continuity, being established initially from the existing staffs of the three Assistant Chiefs of OR). He would also be supported by a 2-star ACSA(DS) (see paragraph 7 below);

- a DCDS(Commitments) (Annex E), to provide central direction of joint and single-Service plans, operations and exercises. He would be supported by an ACDS(NATO and UK), an ACDS('Rest of the World') (whose responsibilities would incorporate those of the present Director of Military Assistance Overseas), an ACDS(Logistic Policy and Plans) and an AUS(Commitments);

- a VCDS, to supervise all of this work, at 4-star level, reporting normally to CDS but also, as appropriate, to me.

This structure would thus encompass all the work of the present DCDS and VCDS(P&L), much of that of DUS(P), and, from the Service departments, those elements currently responsible to the Service Vice Chiefs for policy, programmes, operational requirements and operations.

4. We propose, however, that while the DCDS(Commitments) would have the necessary operational planning capability and exercise full control over all 'single-Service' operations staff in a crisis, he would not take on the latter's day-to-day management. There are two main reasons for this proposal. First, a large part of the work of ACNS(O), DMO/DASD and ACAS(Ops) is of an executive management character rather than

the provision of policy advice. Second, such an arrangement would allow amalgamation of this work with single-Service co-ordination of business on behalf of the Service Chiefs of Staff (see paragraph 5 below), and would consequently be more economical in terms of 2-star posts.

Service Executive Committees

5. Co-ordination of the single-Service management task on behalf of the Service Chiefs of Staff would (in the absence of Service Vice Chiefs) be undertaken by the 2-star appointments just mentioned (as shown at Annex F). Because of the different nature of the Army organisation, there would be two 2-star appointments in the case of the Army, but, pending further work on the organisation for reserves and cadets, one of these would also take on the duties of the Director, Territorial Army and Cadets. In general, the Service Executive Committee members would be able to draw on the advice of the Defence Staff and of the OMB (its Controller General being a member of each committee) as necessary. They would also have available to them the considerable secretariat and finance advice remaining with the single-Service staffs (but with reporting lines to the OMB). The actual Secretariats to the Committees themselves could be provided from the OMB by the successor divisions to DS4, 7 and 9, who currently fulfil that role.

The Office of Management and Budget

... 6. The OMB (Annexes G to K) would be headed by 2nd PUS, as Controller General. who would as one of his major responsibilities be your 'Finance Director'. He would be supported by 4 DUSs, as follows:

- a DUS(Resources and Programmes) (Annex G), served by three AUSs - each with tri-Service and single-Service responsibilities - the 'size and shape' divisions and the successors to DS1 and DS3. He would be responsible, under the Controller General, for the size and shape of Service programmes and the allocation of resources to them;

- a DUS(Finance) (Annex H), who would be the Department's Principal Finance Officer, responsible for the MOD's financial management including cash control and matters of Parliamentary accountability and propriety. He would be supported by an AUS, responsible for the Department's General Finance Organisation, and DGDA (whose organisation is currently subject to efficiency audit). All the Department's Senior Finance Officers would also have responsibilities to him;

- a DUS(Administration) (Annex I), would would take on most of the current responsibilities of DUS(PL), plus the superintendence of the 6 Personnel and Logistics AUs/Executive Directors currently exercised by the Service DUs. He would also assume responsibility for the new post of Director General Information Technology Systems, if the recommendations of CSA's recent IT study are accepted, subject to further work in this area;

- a DUS(Civilian Management) (Annex J), who would continue to be the Department's Principal Establishment Officer and whose organisation is left largely unchanged, pending the outcome of the Mehew study of personnel management and other studies.

The Director General of Management Audit (Annex K) would provide a central capability for inspection and audit of Departmental activities - the details of his reporting lines and role within the OMB being subject to the outcome of current studies.

Scientific Advice

7. Outside the PE, all scientific staffs would report to CSA (Annex L). He would be directly and exclusively supported by:

- a 3-star DCSA, who, as well as serving as his deputy, would be responsible for stimulating original, long-term thinking, and would assume the studies co-ordination (particularly the central capability for operational analysis) and independent scrutiny functions previously carried out by ACSA(Studies);

- a 2-star ACSA(Projects and Research), who would combine the present functions of ACSA(P) and ACSA(R);

- an ACSA(Nuclear), at one-and-a-half stars, as now.

Additionally

- a 2-star ACSA(Defence Staff) would assume the responsibilities of the three Service Chief Scientists. He would provide support for the Defence Staff and be tasked by DCDS(Systems), but would answer professionally and for staff management to CSA.

In parallel, CERN has prepared plans to streamline his headquarters organisation, which, taken together with the above, will end the present twin-hatting of scientific staffs.

Other Areas

8. The model, intentionally, does not cover the single-Service staffs in the Personnel and Logistics areas, or the PE. On the

former, you have said that it would be an early task for the new Service Executive Committees to review the scope for the delegation of work to Commands. There are also a number of major studies in hand including those on administration of the medical services (Yellowlees), Sharp Sword and the proposal for a RAF Maintenance Executive. The PE is of course subject to separate review.

Overall Position

9. Although considerable work remains to be done to validate and refine the details, particularly below 2-star level, we consider that, taken as a whole, the organisation we are proposing would meet the essential elements for change which you identified in the OGD. In particular,

- the new Defence Staff would be centrally responsible for formulating all advice on defence policy, military aspects of operational requirements and the military input to programming. It would also be responsible for the central direction of all military operations and associated policy;

- management of the Services would, as you proposed, be the principal concern of the Service Executive Committees, chaired by the Service Chiefs of Staff, who would in future report to you through CDS on the efficiency and morale of their Services;

- the corporate planning function, in particular the financial aspects of the allocation of resources and the scrutiny of equipment requirements, would be included in the responsibility of the Office of Management and Budget under 2nd PUS;

- scientific advice would be centralised under CSA to provide the necessary capability for independent thinking and scrutiny, but with an element so deployed in the Defence Staff that constructive relationships would be maintained and developed, particularly in the Systems area.

The Defence Arms Control Unit was separately addressed in my minute to you of 21st May.

10. In drawing up the model, we have had very much in mind your concern that significant savings, particularly in top posts, should flow from the reorganisation. The model assumes that the posts of VCDS(P&L) and the Service Vice Chiefs would lapse, as proposed in the OGD, and that the posts of the Service DUSs would also go. The proposals outlined above would result

immediately in the net saving of two civilian and one military posts at 3-star level, and three and a half posts at 2-star level. In the field of staff work covered in detail by the attachments, these savings represent 25% and 10% of the total numbers of 3 and 2-star posts under consideration. These figures exclude actual or prospective savings in other areas such as the DIS and the PE, including CERN, not specifically addressed as part of the reorganisation. There are also a number of posts currently reporting to the Service Vice Chiefs (eg the Hydrographer, the Arms Directors, and CG&DG Sy(RAF)), whose functions do not appear appropriate to the Defence Staff, but whose future is under review or will need to be reviewed, including in some cases the possibility of rustication to Commands.

11. Under the model as at present constituted, the bids from departments for 1-star posts - where continuity of work is particularly important (see below) - show a small increase on current numbers. The Steering Group have not yet had the opportunity to consider this in detail, but are now seeking to reach a view on the likely scope for 1-star savings as soon as possible.

12. We have also had in mind the need to ensure that the upheaval involved in moving to the new organisation - which will be substantial - is kept to a level which does not prejudice the efficient conduct of the Department's key tasks, particularly in the fields of policy advice, operations and equipment requirements. Nevertheless, we consider that, once the new organisation has settled down, there should be scope for further improvement and streamlining.

13. We have taken particular care to see that the main elements of the model (and associated procedures) are structured so as to interface readily with each other. Crucial to the success of the new organisation will be the development of close and effective working relationships between the staffs concerned, particularly between the OMB and the Defence Staff, and between both of these and the Chiefs of Staff and the staffs of the Service Executive Committees. While the new organisation properly distinguishes between military advice and budgetary responsibilities and between policy formulation and executive management, it is vital that these functions do not operate in isolation. This is a consideration that we shall continue to pay close attention to in further refinement of working procedures for the new organisation.

Next Steps

14. You will be discussing this outline model with other members

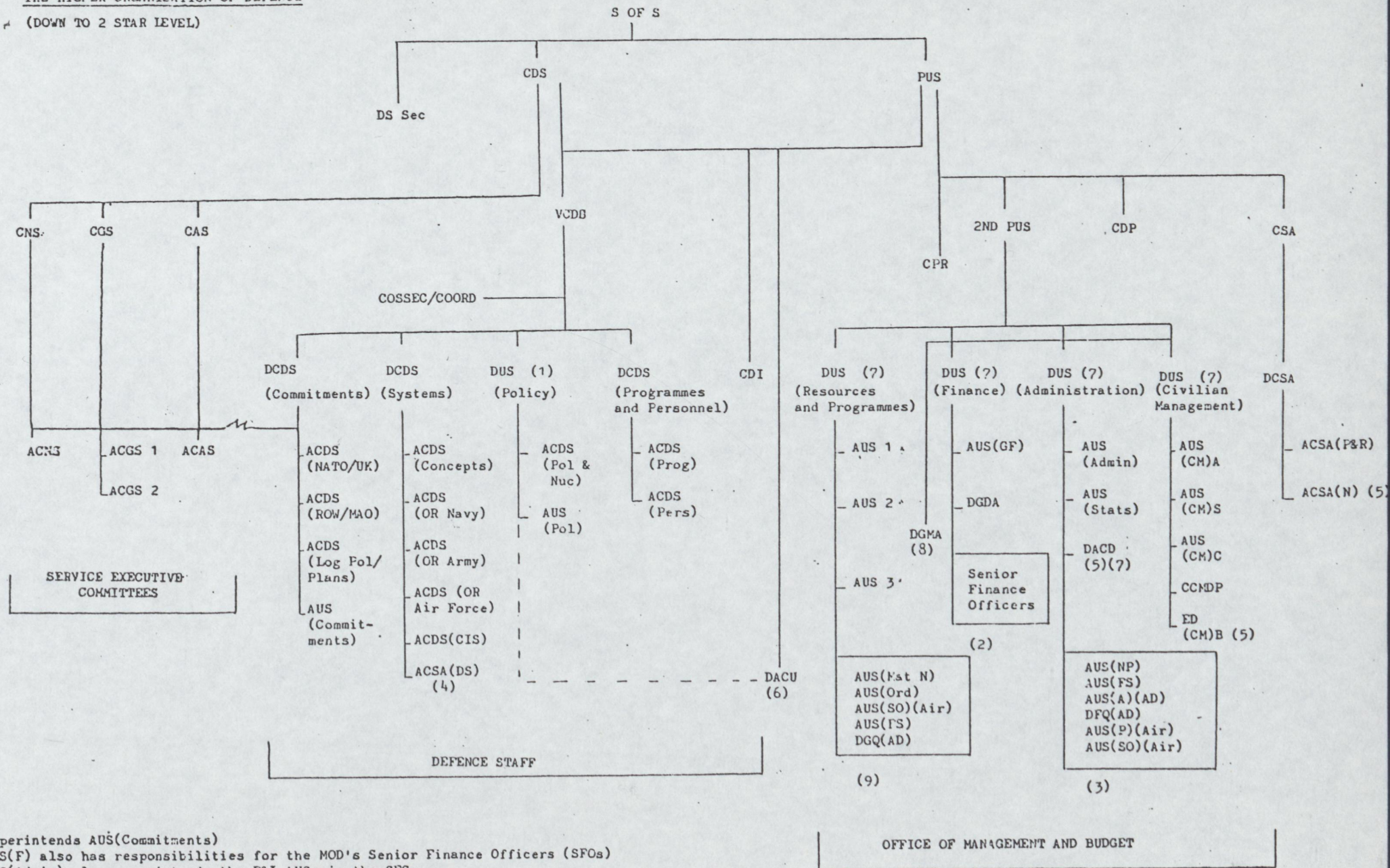
of the Defence Council on Friday, 15th June. In the light of your views, we can consider the next steps. You will, in particular, wish to decide on what basis planning should now go ahead for you to present firm proposals to Parliament next month. Over the next few months there will be a heavy programme of further work, to draw up terms of reference for top posts, to refine the details of working procedures and to complement, man and accommodate the new organisation.

JWS.

PUS

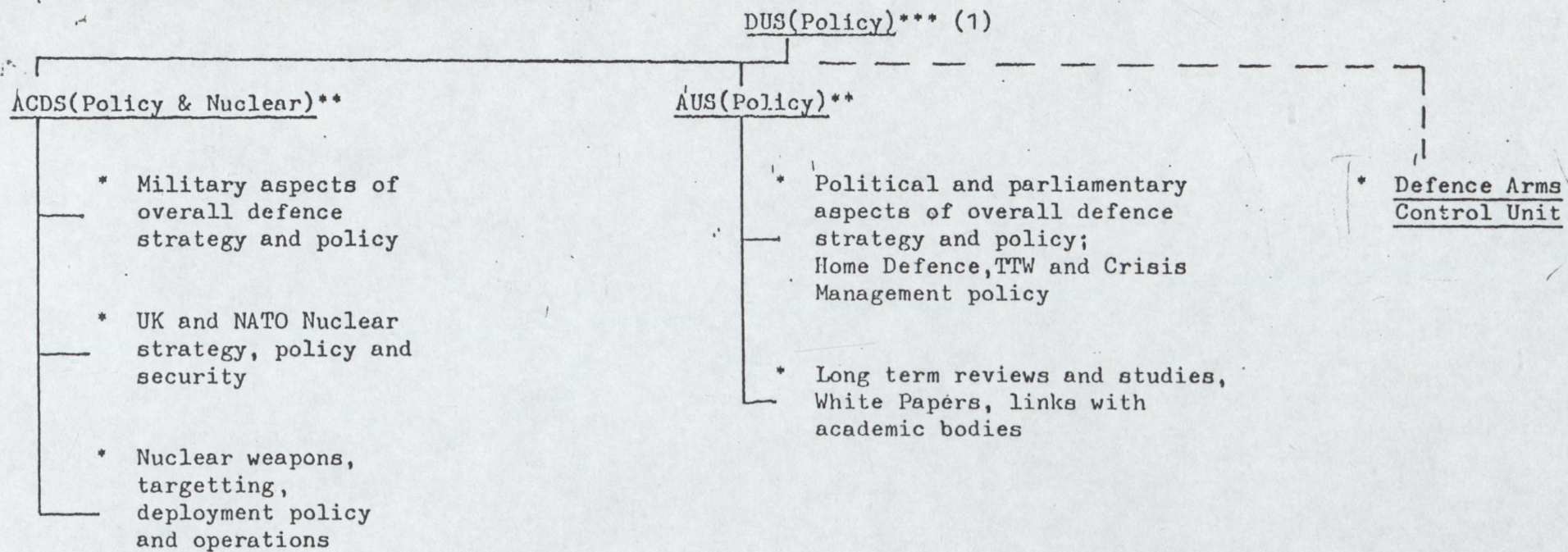
THE HIGHER ORGANISATION OF DEFENCE

(DOWN TO 2 STAR LEVEL)



Notes:

- (1) Superintends AUS(Commitments)
- (2) DUS(F) also has responsibilities for the MOD's Senior Finance Officers (SFOs)
- (3) DUS(Admin) also superintends the P&L AUSs in the SECs
- (4) Responsible to CSA for staff resources and professional standards
- (5) 1½ Stars
- (6) 1 Star
- (7) Subject to one or more studies (eg. CSA's IT Study, Mehew, CIRC, Yellowlees, Crow, DGDA audit, etc) Reports to DUS(Finance), DUS(Administration) and DUS(Civilian Management) Responsible to DUS(RP) for financial scrutiny of requirements.



Note:

- (1) DUS(Pol) superintends work of the Secretariat support in the Commitments areas; and the Defence Arms Control Unit.

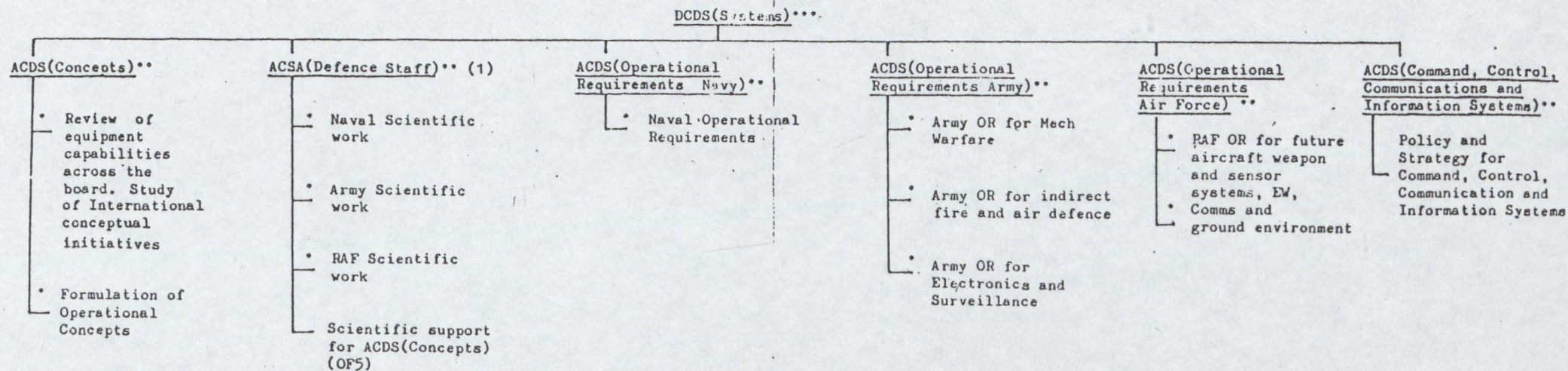
DCDS(Programmes & Personnel)***

ACDS(Programmes)**

- * Military aspects of overall Defence programme and priorities.
- * Military aspects of Navy programme and priorities.
- * Military aspects of Army programme and priorities.
- * Military aspects of Air Force programme and priorities.

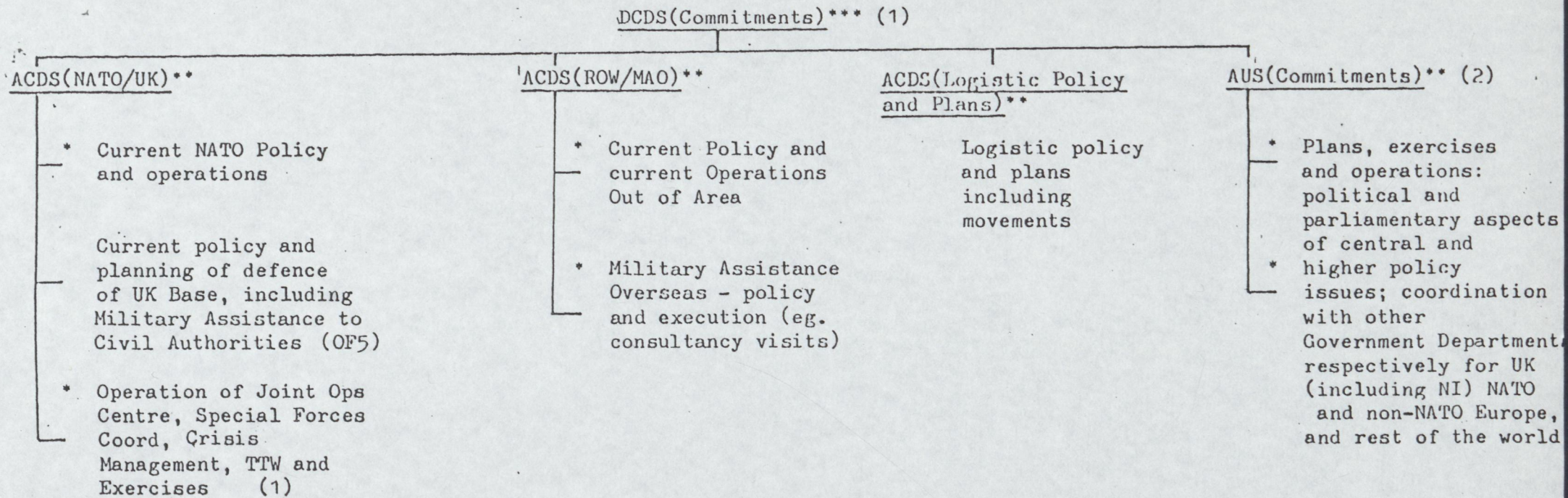
ACDS(Personnel)**

Tri-Service aspects of personnel matters eg. pay, conditions of service, manpower, recruiting, training.



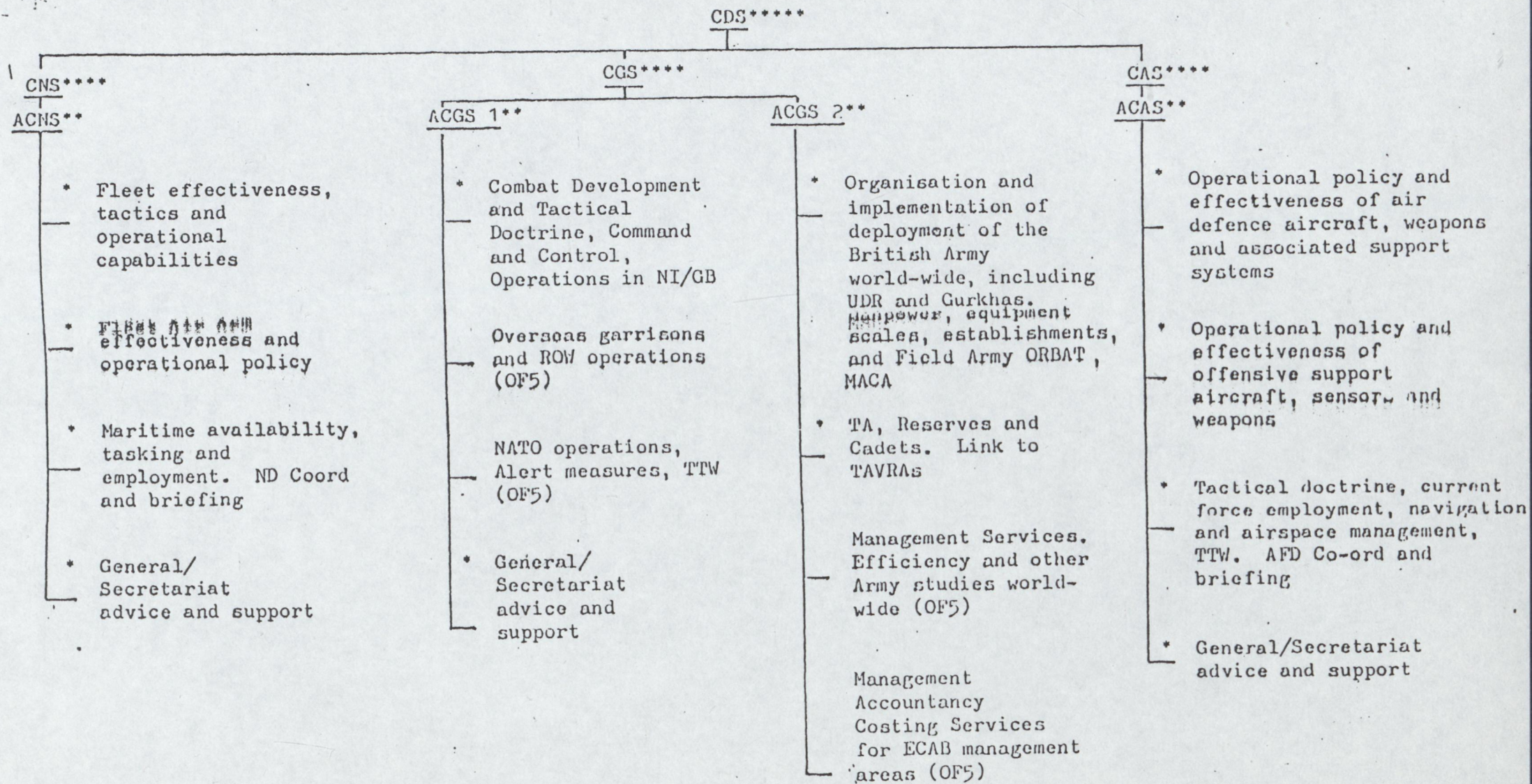
Note:

- (1) Provides scientific support to Defence and single Service staffs as necessary. Responsible to CSA for staff resources and professional standards.



Notes:

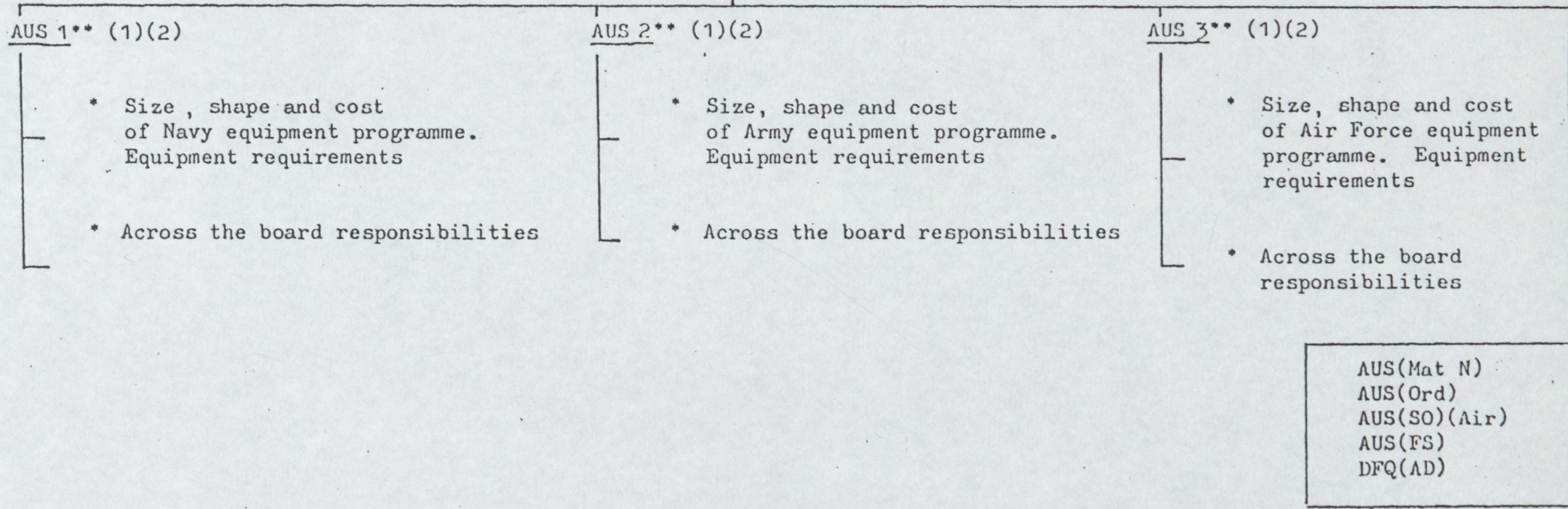
- (1) In operations and TTW, DCDS(Cts) controls single Service staffs through the JOC.
- (2) Oversight of political and parliamentary aspects of single Service operational matters forming part of the single Service Assistant Secretaries' responsibilities (See Annex F).



Note:

(1) Showing only those staffs in direct support of Service Chiefs of Staff. In operations and TTW staffs concerned report to DCDS(Commitments).

DUS(Resources and Programmes)***



Note:

- (1) Between them the 3 AUSs will each be responsible for:
 - (a) One 1 star division responsible for the size and shape, and equipment requirements, of a Service programme; and for the Secretariat of the single Service Boards and Executive Committees.
 - (b) One 1 star division with across the board responsibility for the Defence programme and budget, the Defence Equipment Programme (including Secretariat support for Equipment Committees) and for economic advice respectively.
 - (c) Oversight of that part of the single Service Assistant Secretaries' responsibilities in respect of efficient management of single Service business (see Annex F).
- (2) The Crew Study would, if agreed, add a further one star division to the RP organisation.
- (3) Responsible to DUS(RP) for financial scrutiny of requirements.

DUS(Finance)*** (1)

AUS(General Finance)**

DGDA** (3)

DGMA** (5)

(2) * Finance work, incl support for Navy

* Finance work, incl support for Army

* Finance work, incl support for Air Force

* Finance work, incl support for PE and PEMB

(4)
SENIOR FINANCE OFFICERS

* Control of Defence Cash Accounts. Calculation of civil and certain Service pensions

* Bill authorisation and payment; recovery of receipts

* Civilian Pay

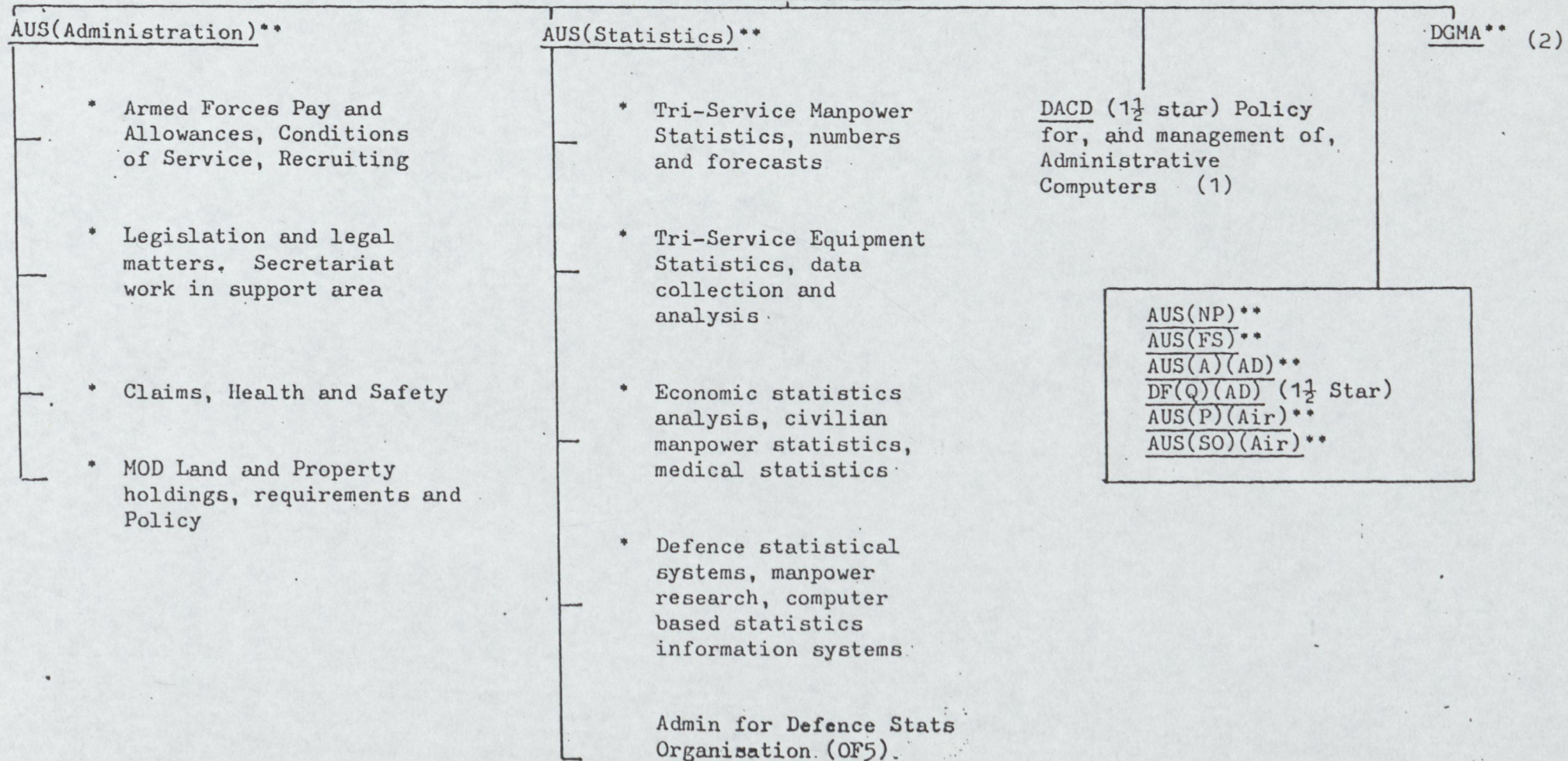
* Management Accounting Services

Accounts operations - staff, ADP, Naval Base Computer Bureau (OF5 x 3)

Notes:

- (1) Principal Finance Officer.
- (2) In addition to their Single Service and PE Financial responsibilities, each GF 1 Star charge has certain additional MOD wide responsibilities in the finance area.
- (3) A review by consultants is currently in progress.
- (4) The PFO has functional responsibility of the work of the Senior Finance Officers.
- (5) See Annex K.

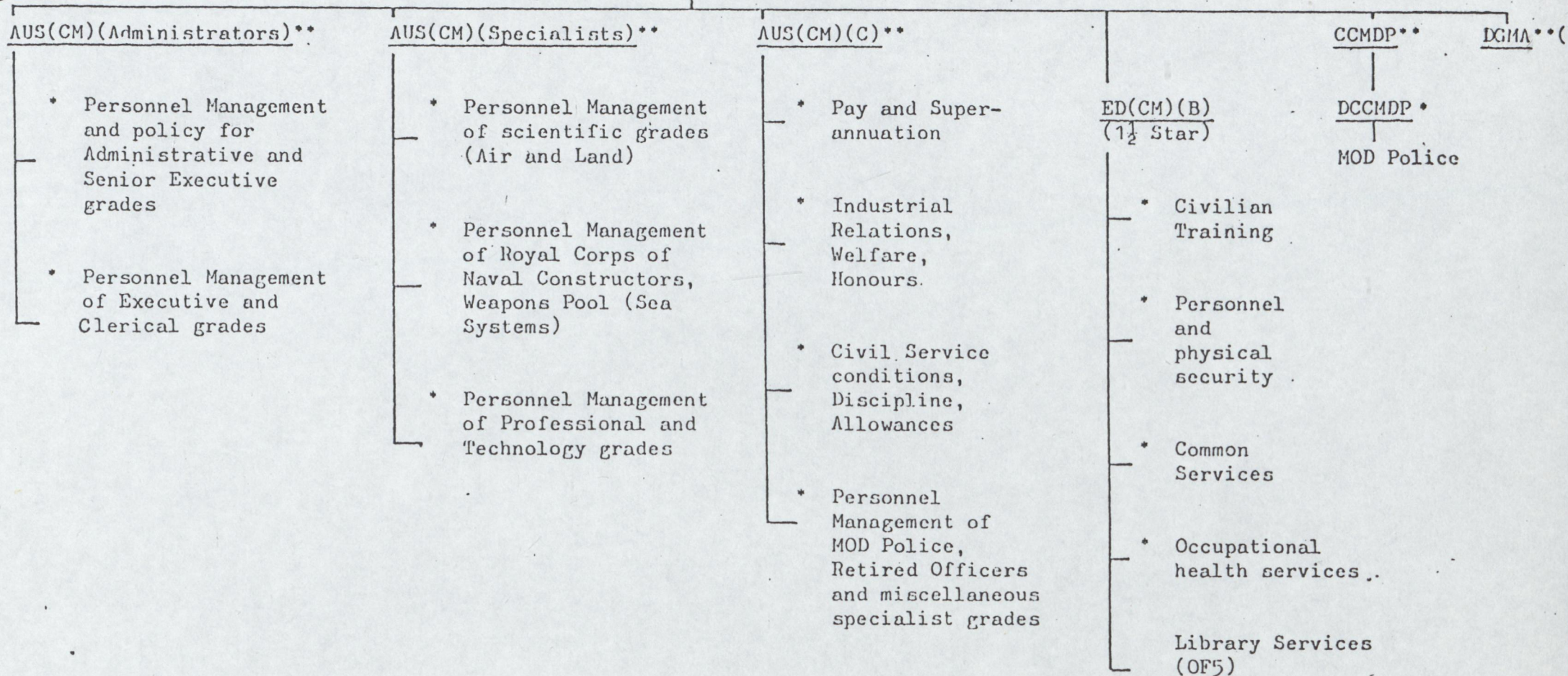
DUS(Administration)***



Note:

- (1) Currently works for DUS(CM). Future organisation to be examined in relation to CSA recommendations to create a DG Information Technology Systems post.
- (2) See Annex K.
- (3) DUS(Administration) also superintends the P&L AUSs in the SECs.

DUS(Civilian Management)*** (1)(2)



Note:

- (1) Future organisation subject to outcome of Mehew Study.
- (2) Principal Establishment Officer.
- (3) See Annex K.

DUS(F)***

DUS(Admin)***

DUS(CM)***

DGMA** (1)

DDGMA (1½ Star)

* Policy for staff inspection and civilian manpower control for MOD. Inspection, complementing and manpower numbers for Centre

* Inspection, complementing and manpower numbers for PE

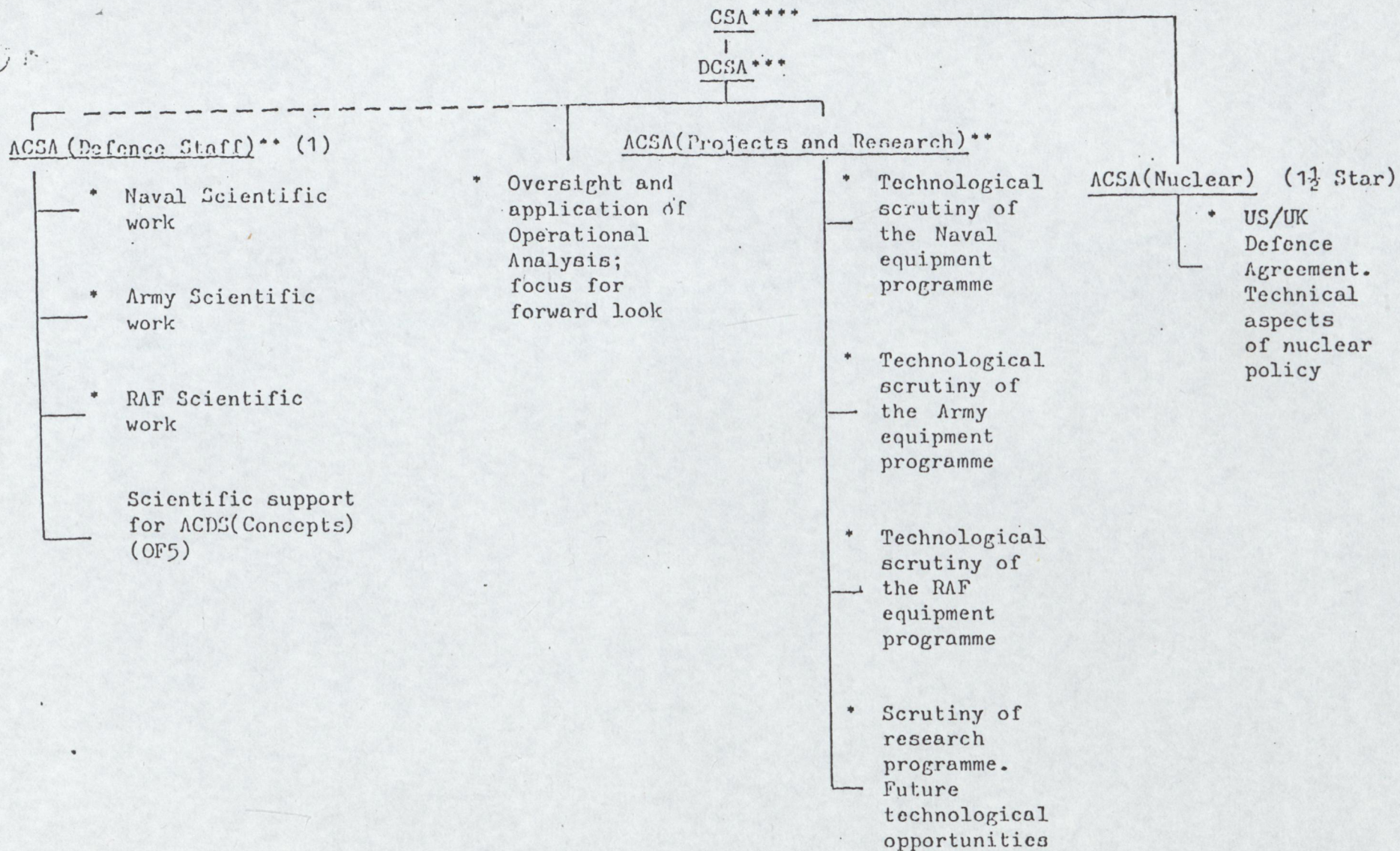
* Management and efficiency studies

* Internal Audit of MOD HQ

* Internal Audit of Service Units

Note:

- (1) Organisation is subject to outcome of CIRC and Crew Studies. Reports to DUS(F), DUS(Admin) and DUS(CM) as appropriate.



Note:

- (1) Dedicated scientific advice to Defence and Single Service staffs as required. Tasked by DCDS(Systems).

PRIME MINISTER

HIGHER ORGANISATION OF DEFENCE: MEETING WITH SECRETARY
OF STATE AND SIR CLIVE WHITMORE AT 1230 ON 3 JULY

I had a talk with Sir Clive Whitmore this afternoon to try to establish his view of the situation.

It is largely a political problem. Clive thinks that it would be quite something for you to override the joint view of the Chiefs of Staff. On the other hand, the compromise which the Chiefs of Staff have put forward would emasculate the reorganisation.

Clive says that the question is whether Mr Heseltine is prepared to try to do a deal with the Chiefs of Staff which would improve on the compromise they have so far put forward. Mr Heseltine has not committed himself on this yet, until he sees whether you would want simply to override the Chiefs of Staff.

So the choice seems to be between three courses:

- a) Pressing on regardless;
- b) accepting the Chiefs of Staff's compromise, which would effectively mean surrender; or
- c) seeking to do some deal mid-way between the two.

F.R.B.

2 July 1984

cc Press office



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~230 7822~~ 218 6169

D/S of S/PQ/ 8690

12th March 1984

Dear Tim,
TF received
14/3

MINIS AND THE DEVELOPMENT OF THE ORGANISATION
FOR DEFENCE

I attach for your information a copy of the Statement which Mr Heseltine will be making in the House this afternoon.

Copies of this letter and its enclosure go to David Heyhoe, Murdo Maclean (6 copies), Roger Bone, Judith Simpson, David Beamish (8 copies), Bernard Ingham and Richard Hatfield. A copy is being sent separately to the Secretary to Mr Speaker.

Yours sincerely,
B P Neale ✓

(B P NEALE)

T Flesher Esq

MINIS AND THE DEVELOPMENT OF THE ORGANISATION FOR DEFENCE

With permission Mr Speaker I wish to make a statement about the future development of the organisation for defence.

This Government has increased significantly the defence budget reflecting the priority we attach to national security.

By 1986/7 defence expenditure is planned to be 23% higher in real terms than in 1978/9.

The threat we face from the Soviet Union and the growing cost of defence technology fully justify this policy.

At a time of rising expenditure, it is particularly important that we satisfy the public - who bear the cost of defence - of our determination to ensure that the resources made available are put to best effect.

We must ensure that the resources are applied to enhance the fighting effectiveness of our Armed Forces and there can be no place for unnecessary bureaucracy and overheads.

As Defence Secretary, I introduced a new Management Information System - MINIS:

Using this, I have carried out a review of the organisation of the Ministry itself and of staffs outside the front line.

I have been much impressed by the quality of the staff - both military and civilian - working in these areas.

But the organisation for defence foreshadowed in the 1963 White Paper has only partly been carried through: the Ministry has a more federal structure than envisaged then and lines of accountability are blurred.

There is overlap between the Ministry and Commands.

As a result, the organisation is less economical than it should be.

In judging the appropriate management structure for the Department, my overriding aim has been to strengthen the fighting effectiveness of our forces.

Nothing must be done which would weaken the identity of, and loyalty to, the three fighting Services which play such an important part in the morale of our front line units.

Nor do I see any need to change the constitutional framework provided by the Defence Council and the three Service Boards.

But, within this framework, I wish in future to draw a clearer distinction between the central formulation of advice on defence policy, operations and resource allocation and the management of the Services themselves.

I intend to create a combined Defence Staff, responsible under the Chief of the Defence Staff and the Permanent Under Secretary for advising me on defence policy, military priorities and the conduct of military operations.

This staff would incorporate the relevant parts of the Naval, General and Air Staffs.

I also intend that it should bring together my military and civilian advisers into an integrated structure.

In resource allocation and finance, I wish to see stronger central determination of priorities and clearer budgetary control through the creation of an office of Management and Budget under the Permanent Under Secretary.

This would be coupled with clear financial delegation to identified managers through a system of responsibility budgets.

Mr Speaker, under my proposals the management of each Service would be the principal concern of the single-Service Chiefs of Staff supported by the Executive Committees of each of the Service Boards. The Boards and their Executive Committees would be responsible for administration rather than policy, as was indeed envisaged in the 1963 White Paper.

I wish to see the maximum delegation of ~~authority for~~ day-to-day administration to Commands outside the Ministry itself.

In future, I would look to the Chief of ^{the} Defence Staff and the Permanent Under Secretary as my two principal advisers.

The Chief of ^{the} Defence Staff would continue to be advised by the Service Chiefs of Staff who would be responsible to him: the Chiefs of Staff Committee would continue with its present membership.

I also propose that the Chief Scientific Adviser and the Chief of Defence Procurement should in future be responsible to me through the Permanent Under Secretary.

Mr Speaker, I have today placed in the Vote Office copies of a consultative paper which I am circulating in my Department.

It is my intention to improve efficiency and to achieve significant savings.

I will report further to the House when I have completed my consultations.

Written Parliamentary Questions

3.30 pm

Mr. D. N. Campbell-Savours (Workington): On a point of order, Mr. Speaker.

Mr. Speaker: Does it relate to questions?

Mr. Campbell-Savours: It relates to a written question that was replied to last Friday. Would you prefer to deal with it before, or after, the statement?

Mr. Speaker: I should prefer to take it after the statement, if the hon. Gentleman does not mind.

Ministry of Defence (Organisation)

3.31 pm

The Secretary of State for Defence (Mr. Michael Heseltine): With permission, Mr. Speaker, I wish to make a statement about the future development of the organisation for defence.

This Government have increased significantly the defence budget, reflecting the priority that we attach to national security. By 1986-87, defence expenditure is planned to be 23 per cent. higher in real terms than in 1978-79. The threat that we face from the Soviet Union and the growing cost of defence technology fully justify this policy. At a time of rising defence expenditure, it is particularly important that we satisfy the public—who bear the cost of defence—of our determination to ensure that the resources made available are put to best effect. We must ensure that the resources are applied to enhance the fighting effectiveness of our armed forces, and there can be no place for unnecessary bureaucracy and overheads.

As Secretary of State for Defence, I introduced a new management information system—MINIS. Using this, I have carried out a review of the organisation of the Ministry and of staffs outside the front line. I have been much impressed by the quality of the staff—military and civilian—working in these areas. But the organisation for defence foreshadowed in the 1963 White Paper has only partly been carried through: the Ministry has a more federal structure than was envisaged then, and lines of accountability are blurred. There is overlap between the Ministry and commands. As a result, the organisation is less economical than it should be.

In judging the appropriate management structure for the Ministry, my overriding aim has been to strengthen the fighting effectiveness of our forces. Nothing must be done which would weaken the separate identities and traditions of the three fighting services. They play a vital part in the morale of our front-line units. Nor do I see any need to change the constitutional framework provided by the defence council and the three service boards. However, within this framework, I wish in future to draw a clearer distinction between the central formulation of advice on defence policy, operations and resource allocation and the management of the services.

I intend to create a combined defence staff, responsible under the chief of the defence staff and the permanent under-secretary for advising me on defence policy, military priorities and the conduct of military operations. The staff would incorporate the relevant parts of the naval, general and air staffs. I also intend that it should bring together my military and civilian advisers into an integrated structure.

In resource allocation and finance, I wish to see stronger central determination of priorities and clearer budgetary control through the creation of an office of management and budget under the permanent under-secretary. This would be coupled with clear financial delegation to identified managers through a system of responsibility budgets.

Under my proposals the management of each service would be the principal concern of the single-service chiefs of staff supported by the executive committees of each of the service boards. The boards and their executive committees would be responsible for administration rather

[Mr. Michael Heseltine]

than policy, as was envisaged in the 1963 White Paper. I wish to see the maximum delegation of day-to-day administration to commands outside the Ministry.

In future, I would look to the chief of the defence staff and the permanent under-secretary as my two principal advisers. The chief of the defence staff would continue to be advised by the service chiefs of staff, who would be responsible to him: the chiefs of staff committee would continue with its present membership. I also propose that the chief scientific adviser and the chief of defence procurement should in future be responsible to me through the permanent under-secretary.

I have today placed in the Vote Office copies of a consultative paper which I am circulating in my Department. It is my intention to improve efficiency and to achieve significant savings. I will report further to the House when I have completed my consultations.

Mr. Denzil Davies (Llanelli): Is the right hon. Gentleman aware that we shall wish to study the consultative document — because the statement is somewhat thin in substance — before we come to any conclusions? Is it not fair to say that one of the effects of the statement will be for good or ill, greater centralisation in the Ministry of Defence, and that possibly the man in the Ministry will know even more than he was supposed to have known in the past?

Can the Minister confirm that his exercise in centralisation and against federalism, which is how he has in the past described the Ministry of Defence, means a reduction, again for good or ill, in the power of the service chiefs? In his statement, the right hon. Gentleman said that nothing must be done to weaken the identity and loyalty of the three fighting services. Does he agree that, behind the camouflage of those words, that might be his intention?

In the MINIS exercise, does the right hon. Gentleman intend to bring in the important procurement executive? As he will know, there is a symbiotic relationship between the Ministry of Defence and the arms manufacturers. Will the MINIS exercise look at this relationship in detail to see whether we can get more value for money?

At the end of the day, how much money will the right hon. Gentleman save from this exercise? Many Opposition Members suspect that the exercise probably has more to do with the right hon. Gentleman's Walter Mitty world of being a management whiz kid than with his addressing himself to the real problems of defence, such as the £500 million extra on Trident and all the other costs that will be incurred over the next few years. Is it not a fact that, at the end of the day, whatever effect the MINIS exercise will have, in the next few years there will have to be a major maxi-defence review because the Government cannot maintain their present defence commitments on their present budget.

Mr. Heseltine: I can help the right hon. Gentleman. There is no defence review in prospect as far as I am aware, and, within the budgets to which we are working, we can meet the obligations to which the Government have set their hand.

I shall deal now with the specific question. Yes, the review will cover the procurement executive, and I have already asked the National Defence Industries Council to help me in looking at the interface between the

procurement executive and the arms manufacturing industries to ensure that we can get better value for money from that part of my responsibilities.

The right hon. Gentleman is right in pointing to the fact that my proposals involve a greater amount of centralisation, but that is why the Ministry of Defence was set up in 1963—to take over responsibility for the three armed services.

Sir Antony Buck (Colchester, North): Will my right hon. Friend accept that most Conservative Members will welcome what he has had to say? Can he say a little more about the combined staff that is to be created? My understanding of the position is that it is an extension of something started by Admiral Lord Lewin as he now is and his predecessors at the Ministry of Defence. Will my right hon. Friend say a little more about the role of the central staff and its capability to deal with a crisis? Is he satisfied that because of these proposals we shall be in a better position to deal with the unexpected, such as the Falklands, than we have in the past?

Mr. Heseltine: I am grateful to my hon. and learned Friend. The concepts on which I have been embarked owe their foundation to earlier generations of politicians in this place, particularly my noble Friend the Earl of Stockton as he now is, who was much involved in this process some 20 years ago. The original concept also owed much of its design to the late Lord Mountbatten and the late Lord Montgomery, who had commanded great military forces in battle and seen the benefits that came from a unified approach to those armed services. That is why the Ministry of Defence was created. Within the Ministry, the federal structure had to some extent lived on, and my proposals are designed to deal with that.

Mr. J. Enoch Powell (Down, South): To promote the devolution to commands that the Secretary of State desires of administrative day-to-day work, will he encourage commands to deal direct with hon. Members more than they do on matters that fall strictly within that definition, because, for ordinary hon. Members, his Ministry is much the most centralised and, to that extent, the more difficult to deal with?

Mr. Heseltine: I am conscious of the issue that the right hon. Gentleman raises. If he can give me details of the problems that arise, I shall be happy to look at them. The difficulty, as the right hon. Gentleman will appreciate, is that there has to be some central co-ordination, because the final political responsibility has to be carefully fitted in to the individual views of commanders in post.

Mr. Julian Critchley (Aldershot): Is my right hon. Friend aware that many of us welcome this exercise, which is ostensibly to achieve economy, not least because after 1986 there appears to be no increase in defence spending?

Mr. Heseltine: I thank my hon. Friend for drawing attention to the period after 1986. By that stage, of course, we shall have an even larger defence budget than the one we enjoy at present, but it is important, particularly with a rising budget, to intensify endeavours to give value for money from that budget. Otherwise, there is a temptation for management controls to become lax as financial availability increases.

Mr. Merlyn Rees (Morley and Leeds, South): There is a need to concentrate and centralise the financial advice

coming to a Secretary of State, but will the right hon. Gentleman beware of weakening and diluting the advice coming from the individual services, because what eventually emerges out of compromise at the centre in defence matters is too often wrong?

Mr. Heseltine: The right hon. Gentleman has raised an important matter. The centralised structure that I have in mind will contain single service building blocks, but I am seeking to replace the present situation whereby much of the advice depends on three individual single service staffs, which, by their very nature, can be competitive in their approach.

Sir Hector Monro (Dumfries): Will my right hon. Friend accept that I welcome his plans to improve efficiency and co-ordination? Will he say a little more about the future of the three services? Will he maintain their complete independence so that they can retain their traditions and pride in their own ships, regiments, squadrons, which are so important?

Mr. Heseltine: I have deliberately expressed my determination to achieve that objective in the open government document that is available in the Vote Office. The House should be aware that there has already been a significant step in the direction in which I intend to go. For example, the chief of defence staff is now responsible for operations in which two or more services are involved. My proposal today takes that a step further, making him responsible for all operations. Within that, it is critical that the single service chiefs of staff should be responsible for the management and morale of their own services.

Mr. A. J. Beith (Berwick-upon-Tweed): Is it not remarkable that, 20 years after the White Paper, and two reorganisations later, there is still a federal structure in the Ministry of Defence to which the Minister has to address himself? Will the measures that he has described do anything to allay the fears of many people in the services that the Minister retains a complement of desk-bound senior officers far beyond the requirements of the services nowadays?

Mr. Heseltine: I should not wish to use the hon. Gentleman's language. He touched on an important matter in his first question, that 20 years after the White Paper was first published, in 1963, there has been more of an appearance than a form of rationalisation. We have to deal with that issue.

Mr. Cranley Onslow (Woking): In his reorganisation plans, will my right hon. Friend consider lengthening the period for which senior officers in each of the services remain in post at MOD, thus making it possible for them to increase—by their experience—their influence on events, as well as perhaps reducing their numbers somewhat?

Mr. Heseltine: My hon. Friend has raised an important issue, and it is a matter on which I intend to have discussions. We may not need to have a general rule of the type that my hon. Friend postulates. We could perhaps have certain posts which attract a longer period of service.

Mr. Tam Dalyell (Linlithgow): I see shades of Sir Solly Zuckerman and Sir Hermann Bondi. Why is it that the chief scientist to the Ministry of Defence is now humiliated in having to go to his Secretary of State through the permanent secretary? Is the explanation the annoyance

of the Prime Minister that Professor Sir Ronald Mason, when he occupied that post, objected stridently and vigorously to nuclear weapons going south with the task force to the Falkland Islands?

Mr. Heseltine: The hon. Gentleman would find some way of introducing that subject, and I congratulate him on his ingenuity. However, I am afraid that my answer will disappoint him, because there is no such significance in the reorganisation that I have proposed. The reorganisation is simply a recognition of the real world within the Ministry of Defence that if anything were to become a matter of concern to me within the procurement executive, or within the field of the chief scientist, I would be bound to involve the permanent secretary in any discussions that took place. It seems appropriate to recognise that position in the management scheme.

Mr. Peter Viggers (Gosport): As one who has served in two of the armed forces and now represents a large part of the third, I welcome my right hon. Friend's statement, because it recognises the unity of the three armed forces. My right hon. Friend has confirmed that he will retain the spirit of the ship, the regiment and the squadron, but does he envisage some increase in cross-posting?

Mr. Heseltine: I am grateful to my hon. Friend, whose conspicuous service to his country is known, for drawing the thoughts of the House to this issue. I do not immediately see this as an opportunity for cross-posting, but as a significant opportunity for a much closer working relationship between the services at the senior posting level.

Mr. Dick Douglas (Dunfermline, West): What were the right hon. Gentleman's tactics in making this announcement in advance of the White Paper on defence? Will he give us some indication of its effects on procurement and allocation in the dockyards? Is there likely to be an intensification of navalisation and privatisation?

Mr. Heseltine: I am concerned that the dockyards should fulfil the general remit of value for money that I am applying to the Department at large and that there should be an opportunity for other yards to compete for some of the work within the dockyards. That would be widely welcomed by many hon. Members, particularly those who represent constituencies on a wider basis.

I am making this announcement in advance of the White Paper because the White Paper will contain many other matters of interest and I did not want the House to lose sight of this issue.

Mr. Michael Marshall (Arundel): In view of the review of defence procurement which my right hon. Friend has announced, and which I welcome, and in view also of the relationship which I understand the chief of defence procurement will have with him, what does he hope to learn from the Falklands in terms of improved defence procurement and, indeed, the streamlining of that process which was brought out by the campaign?

Mr. Heseltine: I am grateful to my hon. Friend for what he has said. We have published a White Paper on the lessons to be learnt from the Falklands campaign and the Select Committee on Defence is considering some of those at this moment. When I visited the Falklands it was widely drawn to my attention how much people at all levels in each of the services felt that the one lesson that they had

[Mr. Heseltine]

learnt from the Falklands experience was that there was great benefit to be gained from the individual armed services working much more closely with their opposite numbers. I hope that we shall be able to carry this lesson through in the way in which we run the defence programme.

Mr. David Winnick (Walsall, North): Will the right hon. Gentleman give an assurance that in the reorganisation, as with other matters within the Department, there will be no investigation or transfer of civilian staff because of their political views, which, surely, they are entitled to hold? Is the right hon. Gentleman aware that a great deal of concern was expressed when reports came out last week that there had been such investigations into the private political views of civil servants within his Ministry?

Mr. Heseltine: There was considerable concern last week, as the hon. Gentleman mentioned, when we discovered that a member of CND was using the internal postal facilities of the MOD to spread propaganda. That seemed to me a legitimate concern, because we uphold the time-honoured traditions of all Governments that while matters of political conscience should not be interfered with, there should be no use of Government time or machinery to further one's own political ends.

Mr. Andrew Rowe (Mid-Kent): Is my right hon. Friend aware that many companies in this country, particularly smaller firms, feel that the spin-off from Ministry of Defence technology is less to British firms than that enjoyed by firms abroad? Will reorganisation help to deal with that issue?

Mr. Heseltine: My hon. Friend touches on an important matter. We are pursuing this issue in a number of ways, first, by inviting private sector companies to set up organisations alongside some of the research establishments to try to exploit any spin-off that might be available. Secondly, we are trying to introduce more opportunities for small firms to become involved in Ministry of Defence procurement. We are also talking to the National Defence Industries Council about the industrial property rights relevant in the civil field that it derives on the back of the defence procurement budget. These issues are not in the main line of the announcement that I have made today, but we have been pursuing them independently.

Mr. Tim Eggar (Enfield, North): In addition to savings in administration, must there not be devolution of decision-taking, particularly regarding the budgets, at a specific level within the Civil Service and the armed services? At what level does my right hon. Friend intend to assign responsibility for budgets?

Mr. Heseltine: My hon. Friend, who has a deep knowledge of these matters, will have noticed that I referred to the special responsibility budgets that we intend to introduce. The purpose is to give line managers, whether they be military personnel or civil servants, the opportunity to administer control over specific budgets, which they will understand, and for which they will be responsible. This is a new concept and one which I think is exciting in its implications. I could not answer my hon. Friend's question specifically today, because what I have

announced is the beginning of a detailed investigation into precisely what levels of responsibility should enjoy budgets.

Dr. M. S. Miller (East Kilbride): Further to the question that was asked about procurement, is the right hon. Gentleman satisfied with the way in which the two-way street process is proceeding? Will he ensure that, in procurement, the Ministry of Defence is not bludgeoned into accepting everything that the Americans want to sell us?

Mr. Heseltine: The hon. Gentleman will, of course, welcome the fact that the two-way process has advanced to the point where a very much less unfavourable balance exists between this country and the United States than existed a few years ago. It is an important point, and I constantly discuss it with my opposite number in America, who shows as much concern about it as I do.

Several Hon. Members rose—

Mr. Speaker: Order. The House has an important Back-Bench day before it. I shall call those hon. Gentlemen who have been rising to ask questions if they will put their questions briefly.

Mr. John Page (Harrow, West): How widely within my right hon. Friend's Ministry will the consultative document be spread for information to come back to him?

Mr. Heseltine: I suspect that it will be spread extremely widely within my Ministry. I have taken steps to ensure that that is the case, and I have taken steps also to ensure that it is widely available outside the Department. I have made the document available to the House, of course, and I hope that the House will feel that, at a time when one is trying to bring about change in Whitehall, an informed public debate in the open is extremely helpful.

Mr. D. N. Campbell-Savours (Workington): Are there manpower implications in the right hon. Gentleman's statement for civil and military personnel?

Mr. Heseltine: I should think that there would be manpower implications for military and civil personnel. I cannot answer the precise question about how many, because we are only just beginning the detailed analysis. We are not trying to save money in total. What we are trying to do is to spend less money on the overheads of defence, in order to transfer that money to the fighting front.

Mr. Nigel Forman (Carshalton and Wallington): Is it not desirable and timely that these organisational changes should be made, especially as, in the years beyond 1986, the Ministry of Defence will need all the help that it can get from this kind of efficiency?

Mr. Heseltine: I assure my hon. Friend that the Ministry of Defence will accept all the help that it can get in any circumstances. I am absolutely clear that, if we are to continue to enjoy public support for the level of defence spending that is currently Government policy, it is incumbent upon those responsible to be seen to be achieving maximum value for the money involved in our very high budgets.

Mr. Edward Leigh (Gainsborough and Horncastle): Does my right hon. Friend agree that the purpose of the 1963 reform remains as valid today as it was then, namely,

neither inter-service rivalry nor inter-departmental jealousies can stand in the way of essential value for money? Is he confident that this reform will have a significant impact on preventing procurement costs from outstripping inflation?

Mr. Heseltine: The White Paper which we hope to publish in the not-too-distant future will have more to say about the achievement of value for money, which is critical. The relative sophistication of modern technology has brought about an ever-increasing need for a close inter-relationship between the three armed services.

Viscount Cranborne (Dorset, South): Is my right hon. Friend aware that his remarks about the importance of spin-off from defence research establishments, such as the AUWE at Portland in my constituency, will be widely welcomed? When considering procurement will he examine the relationship not only between the MOD and contractors, but that between contractors and subcontractors to see whether the best value for money is being obtained?

Mr. Heseltine: My hon. Friend addresses a difficult issue, and one in which I have taken a particular interest, because today not sufficient of my departmental procurement is subject to competitive tender, one reason being that there is often only a single source. We have, therefore, been spending much time trying to devise a system to get behind the nominated contractor to the procurement of that contractor, so as to get competition at the secondary and tertiary levels.

Mr. Patrick Nicholls (Teignbridge): Does my right hon. Friend not find it remarkable that he should be criticised by the right hon. Member for Llanelli (Mr. Davies) apparently for not being prepared at some time in the future to spend enough on defence, bearing in mind

how much we are spending on defence and how the Labour party fought the last election on a commitment to reduce defence expenditure, which was so extreme that it would have been the equivalent of cutting the Royal Navy?

Mr. Heseltine: I am grateful to my hon. Friend for that comment. If he is asking me if I am surprised to be criticised for inconsistency by the right hon. Member for Llanelli (Mr. Davies), the answer, sadly, must be no, because I would expect no less of him.

Mr. Denzil Davies: Leaving aside that irrelevant question and answer, may I ask the right hon. Gentleman why, especially given the practice of previous Conservative Governments—and remembering that he was a member of a Government who tried to reorganise local government with a McKinsey-type management which obviously did not work—he thinks that centralisation will save money, when experience does not bear that out?

Further to my earlier question, will he say how much he thinks will be saved, in view of his remark that not only will he improve efficiency—and we shall have to see what happens about that—but will achieve significant savings? He must have some figure in mind.

Mr. Heseltine: No, I do not have a figure in mind. It will emerge from the detailed investigation that we are about to undertake. My hunch is that there will be significant savings. I must remind the right hon. Gentleman of his rather unfortunate reference to local government, because under this Government we have got manpower in local government back to what it was in 1973. The only person ever to push local government down faster than we have done was the right hon. Member for Bethnal Green and Stepney (Mr. Shore), with the difference that we did it voluntarily and he did it at the behest of the IMF.

Written Parliamentary Questions

3.58 pm

Mr. D. N. Campbell-Savours (Workington): On a point of order, Mr. Speaker. On 9 March I tabled a question to the Prime Minister, pursuant to an answer that she had given on 6 March about civil servants who had accompanied her on her visit to Oman.

I am not raising this point of order in relation to the content of the right hon. Lady's reply; I understand that to do so would be out of order. My point is concerned with the accessibility of hon. Members to the reply. My question asked the Prime Minister

"if she will give the names of each civil servant by Department who accompanied her on her official visit to Oman in April 1981."—[*Official Report*, 9 March 1984; Vol. 55, c. 719-20.]

In her reply the right hon. Lady identified four groups of civil servants, those from 10 Downing street, from the Foreign and Commonwealth Office, from the Ministry of Defence and from the Central Office of Information. She noted that those from 10 Downing street were: Mr. Ingham, Mr. Alexander, Mr. Lankester, Mr. Anson, Mr. Pike, Mr. Mitchell, Mrs. Dibblon, Mrs. Cummings and Mrs. Ailes. From the Foreign and Commonwealth Office, those who accompanied her were: Sir J. Graham, Mr. Humphrey, Mr. Barrett, Mr. Leigh, Mr. Dunbar Smith, Mr. Valentine, and Mr. Talbot. From the Ministry of Defence went Sir R. Ellis, whoever he might be, and from the Central Office of Information went a Mr. Ensoll.

Those names from individual Departments were included in a written reply sent to me by letter, not given in a written reply by way of a parliamentary answer. Indeed, the Prime Minister wrote to me last Friday saying:

"You asked me which Civil Servants accompanied me on my visit to the Middle East in 1981."

That was the subject of my written question.

"It is not normally my practice, for obvious reasons of confidentiality, to list in the *Official Report* the names of individual members of staff, although the names of senior members of Downing street staff are listed in the main reference books."

My point of order is simple. Is it a requirement of parliamentary practice that, when an hon. Member tables a question which requires an answer identifying civil servants, other hon. Members should be denied access to that information? Is it a requirement that such lists are provided in the form of a letter only to the individual asking the question? If that is the case, can you take steps to ensure that the information is made available in the Library?

Mr. Speaker: In my experience, that is frequently done. The House will know that I have no responsibility for what is contained in answers to questions. That is not a matter for me.

Statutory Instruments, &c.

Mr. Speaker: By leave of the House, I shall put together the questions on the three motions relating to statutory instruments.

Ordered,

That the draft Carriage by Air Acts (Application of Provisions) (Overseas Territories) (Amendment) Order 1984 be referred to a Standing Committee on Statutory Instruments, &c.

That the Electricity (Private Generating Stations and Requests by Private Generators and Suppliers) Regulations 1984 (S.I., 1984, No. 136) be referred to a Standing Committee on Statutory Instruments, &c.

That the draft Public Records (British Railways Board) Order 1984 be referred to a Standing Committee on Statutory Instruments, &c.—[*Mr. Major.*]

Mr. Speaker: By leave of the House, I shall put together the Questions on motions 1 and 2 on the Order Paper.

AGRICULTURE

Motion made, and Question put forthwith pursuant to Standing Order No. 79 (Standing Committee on Statutory Instruments, &c.).

That the draft Aberdeen and District Milk Marketing Scheme (Application to Banff) Revocation Order 1984, which was laid before this House on 25th January, be approved.—[*Mr. Major.*]

That the draft Aberdeen and District Milk Marketing Scheme 1984, which was laid before this House on 13th February, be approved.—[*Mr. Major.*]

Question agreed to.

EUROPEAN COMMUNITY DOCUMENTS

Motion made, and Question put forthwith pursuant to Standing Order No. 80 (Standing Committees on European Community Documents.)

CONSTRUCTION EQUIPMENT

That this House takes note of European Community Documents Nos. R/67/75, R/55/76 and R/804/78 setting out proposals for Council Directives on the approximation of the laws of the Member States relating to construction plant and equipment, and the permissible sound emission levels for concrete breakers and picks (jackhammers), tower cranes, current generators and compressors, and the supplementary memorandum submitted by the Department of Trade and Industry on 28th November 1983; and supports the Government's intention to seek final agreement on these proposals for Directives which would facilitate trade within the Community and safeguard the protection of workers and the environment.—[*Mr. Major.*]

Question agreed to.

FIS 54

PRIME MINISTER

Higher Organisation of Defence

This is to remind you to give the Secretary of State for Defence the opportunity to tell the Cabinet his plans for higher organisation of defence. Since this may attract some parliamentary comment, you may like to do it at the end of Parliamentary Affairs.

F. E. R. BUTLER

7 March, 1984

Pf. file



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7622~~ 218 2111/3

MO 2/2/4

6th March 1984

Dear ~~Rykin~~,

HIGHER ORGANISATION FOR DEFENCE

Further to my letter of yesterday, I understand that when Sir Clive Whitmore spoke to Sir Philip Moore about Defence re-organisation, he left with him a chart of the new structure implied by the speaking note already sent to you. The Prime Minister may wish to see this chart and a copy is therefore attached.

Yours etc,

Richard Mottram

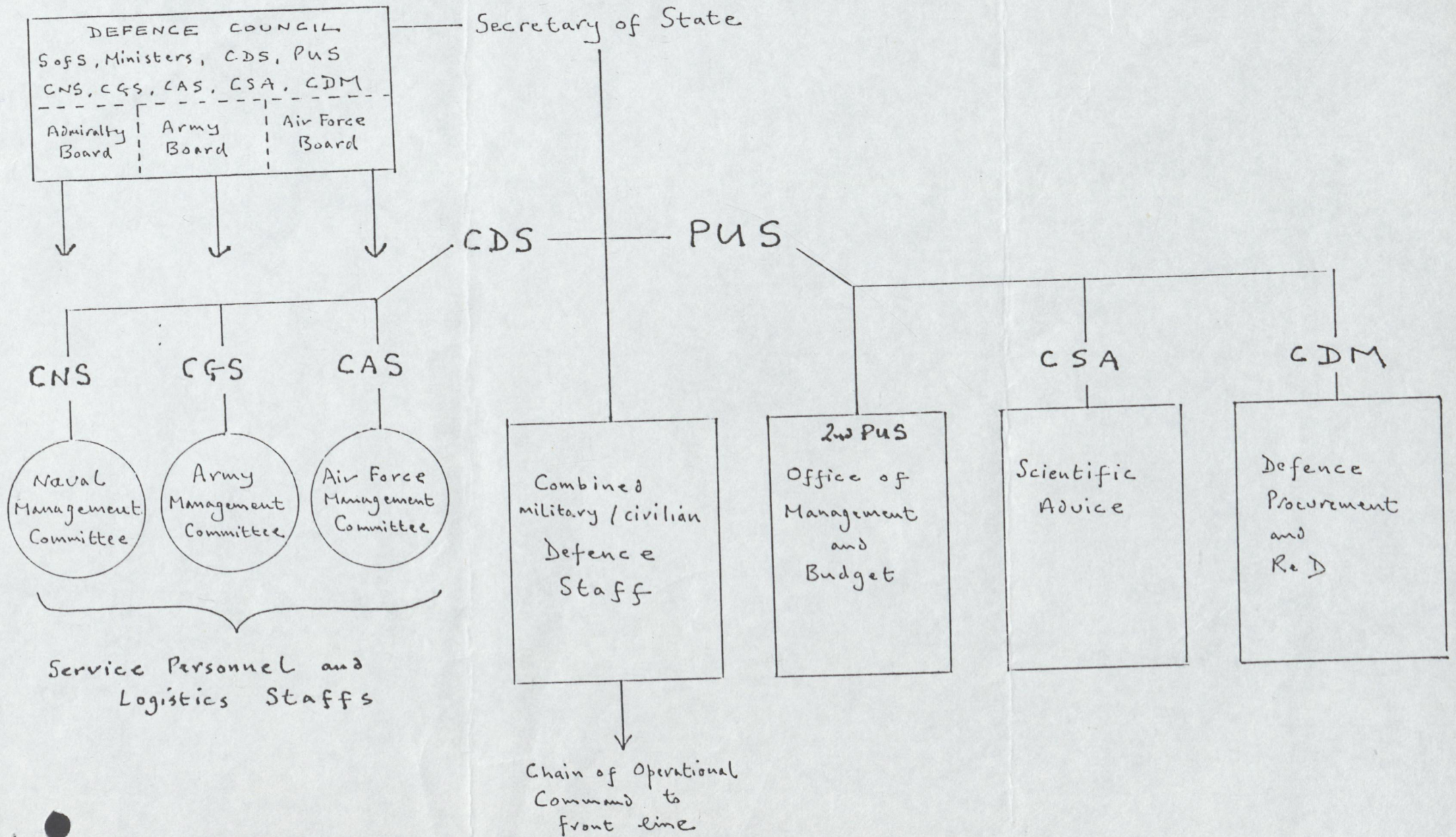
(R C MOTTRAM)
Private Secretary

F E R Butler Esq

PERSONAL
AND
CONFIDENTIAL

THE FUTURE HIGHER ORGANISATION OF DEFENCE

ANNEX D



HIGHER ORGANISATION FOR DEFENCE: SPEAKING NOTE

Should like to mention our plans for streamlining the organisation of the Ministry of Defence.

2. Now 20 years since MOD established in its present form, following the 1963 White Paper "Central Organisation for Defence". 1964 reorganisation followed closely principles laid down by Earl Mountbatten, then Chief of Defence Staff. Main objectives of that reorganisation were;-

- a. better central control of defence policy;
- b. better allocation of resources;
- c. improved arrangements for formulating equipment requirements and controlling R & D;
- d. more effective co-ordination and rationalisation of Service administration.

3. 1964 merger of former MOD and Service Departments was envisaged then as first step towards further simplification of defence organisation. Has not happened. Present organisation is complex network of single-Service and functional elements, with former having a much more extensive role than foreseen in 1964.

4. This complexity has had three main consequences:-

- a. The organisation is less economical than it should be, particularly in senior posts.
- b. Lines of accountability are blurred.
- c. The process of giving advice and taking decisions too often reflects compromise.

5. Time has come to move forward and deal with these problems. Objectives are:-

- a. to reduce overheads by saving staff;
- b. to increase delegation;
- c. to get better value from resources available.

6. To achieve objectives propose to simplify the organisation. Essential features of basic structure drawn up by Defence Secretary are;-

- a. Chief of Defence Staff to be given full authority over single-Service Chiefs of Staff in all respects, though the individual Chiefs of Staff would continue to be responsible for the efficiency and morale of their Services.

This would finally achieve a reform which was goal of many of the architects of 1964 reorganisation, including Earl Mountbatten.

- b. Creation of a unified and integrated Defence Staff, bringing together the separate Naval, General and Air Staffs with CDS's own staff and the civilian staffs who support them in policy and operational matters.

This, again, would realise the aspiration of the 1963 White Paper - and of Earl Mountbatten - that all these staff should together constitute a Defence Staff with the corporate duty of finding the best defence-wide solutions to problems.

- c. Concentration of responsibility for financial and budgetary matters and for resource allocation in an Office of Management and Budget inside MOD.

- d. Management of Service personnel and logistic functions by Management Committees of the Service Boards, each chaired by the Chief of Staff.
7. Must emphasise no question of weakening the separate identities of fighting Services; or of altering legal position of Defence Council and Service Boards. No intention of abolishing single-Service Chiefs of Staff. Aim is to provide more clearly defined tri-Service policy and resource framework within which Chiefs of Staff can manage their Service.
8. Ideas only in outline still. On current plans Cabinet will be told on Thursday; Defence Secretary will then put his ideas to Chief of Defence Staff, Chiefs of Staff and other senior officials and seek their views. Will inevitably become public. Could be some controversy, especially over change of relationship between Chief of Defence Staff and single-Service Chiefs of Staff. But believe it will be widely recognised in Services themselves and in Parliament that MOD must give lead from top in cutting defence overheads. Government will continue to give defence very high priority but must get greatest value for money by moving more resources from support to front line.
9. When Defence Secretary's consultations over and final decisions approaching, will raise matter again with Her Majesty.

✓
CR

Has another slot been
found for this meeting?
It doesn't appear on tomorrow's
diary.

Mark

S/3.

It was dealt with
when P.M. visited
MOI last week

CR

↓
SOVIET UNION

~~DEFECT~~: Chemical warfare: 5/3
June 79

Colo 2.

FROM: THE RT HON JOHN WAKEHAM MP



Government Chief Whip

12 Downing Street, London SW1

PERSONAL AND CONFIDENTIAL

THE PRIME MINISTER

HIGHER ORGANISATION FOR DEFENCE

The Secretary of State for Defence invited my comments on his Minute to you of 24th February.

All my instincts tell me that what Michael Heseltine proposes is correct. However, given the enormous interest that Defence issues generate with so many of our own supporters, it will be of the highest importance, if it is decided to proceed as the Secretary of State proposes, that we take with us those most closely concerned on Defence matters, as well as the Conservative Members of the Select Committee. I therefore very much welcome the meeting you are proposing before we consider any Parliamentary handling which will inevitably present some problems.

I am sending copies of this to the Lord President, the Secretary of State for Defence and Sir Robert Armstrong (Cabinet Office).

28th February 1984



PRIME MINISTER

HIGHER ORGANISATION FOR DEFENCE

I have seen Michael Heseltine's minute to you of 24 February.

I have long believed that the original plans for an integrated Ministry of Defence were not being carried through. I therefore strongly support the Secretary of State's plans.

I am sending copies of this to Michael Heseltine, John Wakeham and Sir Robert Armstrong.

Ch

27/2.



10 DOWNING STREET

MR BARCLAY

Could you please arrange a meeting
on this subject, if possible
in advance of
~~before~~ the Audience tomorrow week.

F.R.B.

27 February, 1984

*ST Def ✓
CW ✓
WW ✓
ChW ✓
RTA ✓*



FILE

kw

10 DOWNING STREET

From the Principal Private Secretary

27 February, 1984

HIGHER ORGANISATION FOR DEFENCE

The Prime Minister has seen the Secretary of State's minute of 24 February on this subject. She has said that, she would like to have a talk with your Secretary of State and Sir Clive Whitmore, together with the other recipients of your Secretary of State's minute, at which the present structure and the proposed changes to it could be explained in detail. I will arrange such a meeting as soon as possible.

E. R. BUTLER

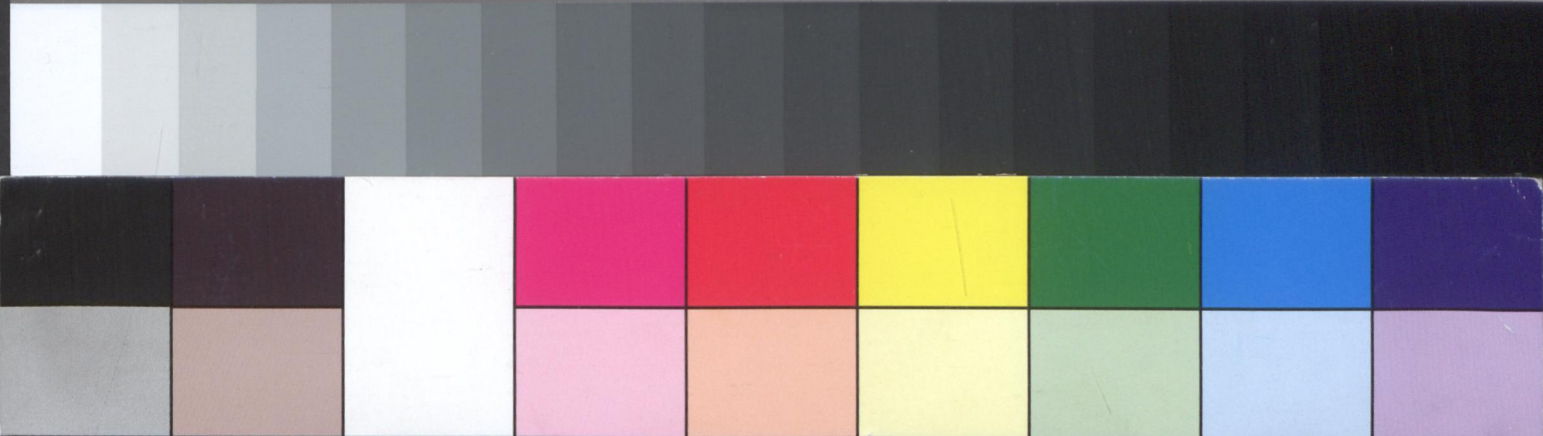
Richard Mottram, Esq.,
Ministry of Defence

PERSONAL AND CONFIDENTIAL

Grey Scale #13



A 1 2 3 4 5 6 **M** 8 9 10 11 12 13 14 15 **B** 17 18 19



Colour Chart #13

Blue
Cyan
Green
Yellow

Centimetres
Inches